

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>City of Farmington Hills, Michigan</u>	County Oakland
Audit Date June 30, 2004	Opinion Date October 27, 2004	Date Accountant Report Submitted To State: December 16, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Certified Public Accountant (Firm Name): <b>PLANTE &amp; MORAN, PLLC</b>			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48034
Accountant Signature 			

# **City of Farmington Hills, Michigan**

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## **Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2004**

# City of Farmington Hills, Michigan

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# City of Farmington Hills, Michigan

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# City of Farmington Hills, Michigan

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DEPARTMENT OF FINANCE

October 27, 2004

Honorable Mayor, Members of City Council,  
and Citizens of Farmington Hills

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Farmington Hills for the fiscal year ended June 30, 2004. This report was prepared by the finance department in conformance with regulations and standards set forth by the City Charter, the Governmental Accounting Standards Board, the American Institute of Certified Public Accountants and its Committee on Governmental Accounting and Auditing, generally accepted accounting principles (GAAP), the Treasurer of the State of Michigan, and the Government Finance Officers Association (GFOA). This report consists of management representations concerning the finances of the City of Farmington Hills. Therefore, responsibility for the accuracy, completeness, reliability, and fairness of the financial data herein, including all disclosures, rests with the administration and management of the City of Farmington Hills. We believe the data presented is accurate in all material aspects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City, and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included. The statements have been audited in accordance with generally accepted auditing standards by Plante & Moran, PLLC, a certified public accounting firm licensed by the State of Michigan.

Since the report consists of management's representations concerning the finances of the City of Farmington Hills, a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for preparation of the City of Farmington Hills' financial statements in conformity with GAAP has been established. However, due to the fact that the internal control systems should be cost effective, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

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Plante & Moran, PLLC has audited the City of Farmington Hills' financial statements to provide reasonable assurance that the City's financial statements for the fiscal year ended June 30, 2004 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures contained in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Farmington Hills' financial statements for the fiscal year ended June 30, 2004 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of the report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "single audit" designed to meet the special needs of federal grantor agencies. The standards governing single audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. This report is available in the City of Farmington Hills' separately issued single audit report.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Farmington Hills' MD&A can be found immediately following the report of the independent auditor.

## **Profile of the Government**

The City of Farmington Hills was incorporated in 1973 and is a 34-square mile suburban community with a pastoral and gently rolling terrain in Oakland County, Michigan. The City possesses an ideal location that is within 25 minutes of downtown Detroit and Detroit metro airport and is also the focal point of a freeway network. Industrial centers of Warren, the Saginaw/Flint area, Lansing, Toledo, Ohio, as well as the Ann Arbor technology corridor are within an hour's drive. Approximately half of America's disposable income, half of the country's work force, and nearly half of the total U.S. population are within a 500-mile radius of the City.

The City is enhanced by exemplary educational opportunities for kindergarten through 12<sup>th</sup> grade via both public and private schools and a premier district library system. Twelve major colleges and universities are within a 45-minute drive of the community. A broad spectrum of recreational and cultural activities is also available within the City or within a short drive. Quality health care is provided by Botsford Hospital, which is a teaching osteopathic hospital associated with Michigan State University. Many additional medical centers and hospitals are within a half-hour driving distance of the City.

The community offers a wide range of quality housing featuring homes in every style and price range. There are many premier residential areas providing housing options including more than 23,000 single-family homes and over 11,000 rental units designed to fit every lifestyle. Home prices range from under \$100,000 to \$2.5 million, with the average home priced at just over \$274,000.

The City operates under the city council/city manager form of government with seven elected officials, a mayor, and six City Council members representing the citizens of the City of Farmington Hills. The mayor is elected directly by the electorate for not more than two consecutive, two-year terms. The six City Council members are elected at large for staggered terms of four years each. The mayor and City Council establish all policies for the City government. The city manager is appointed by the City Council.

The City of Farmington Hills provides a full range of services including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; recreational activities and cultural events; and refuse collection and recycling services. Utility services for water and sanitary sewers are provided by the City with the Oakland County Department of Public Services administering the service for water and sanitary sewers under contract with the City. Library functions are provided by the Farmington Community Library, which serves both the City of Farmington Hills and the neighboring City of Farmington.

Economic development efforts are promoted by the City of Farmington Hills Economic Development Corporation, a component unit of the City whose financial statements are displayed in the basic financial statements.

The other component unit of the City is the Brownfield Redevelopment Authority, established by City Council to assist in the redevelopment of environmentally challenged sites within the City. The Brownfield Redevelopment Authority's financial statements are also displayed in the basic financial statements.

The City's annual budget provides the foundation for the financial planning and control. All departments and boards and commissions funded by the City of Farmington Hills are required to submit requests for appropriations to the city manager by the third week of February of each year. The city manager utilizes these requests as the basis for developing the proposed budget submitted to City Council at the first regular Council meeting in May. In conformity with *Article VII General Finance* of the City Charter and the State of Michigan Uniform Budgets Act, a public hearing on the proposed annual budget and tax rates is held at the first regular Council meeting in June, after public notice of the meeting and hearing is published at least seven days prior to the public hearing. The appropriated budget is prepared by fund, function (e.g. public safety), and department (e.g. police department). Department heads may make transfers of appropriated funds within a department with the approval of the city manager and finance director. Transfers of appropriations between departments require approval by the City Council. Budget-to-actual comparisons are provided in this report for each governmental fund in which an appropriated annual budget has been adopted. For the General Fund and the major Special Revenue Funds (Major Road Fund, Local Road Fund, and the Capital Improvement Fund), the comparison is reported as part of the required supplemental information following the notes to the financial statements. For the major Debt Service Fund and all nonmajor governmental funds with an appropriated annual budget, this comparison is presented in the other supplemental information subsection of this report.



## Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the unique environment within which the City of Farmington Hills operates.

**Local Economy** - The City of Farmington Hills possesses a stable and diversified property tax base with residential comprising 65 percent of the tax base, commercial 21 percent, industrial 6 percent, and personal property (business equipment, furniture, and machinery) 8 percent. No one taxpayer exceeds 1.8 percent of the tax roll and the top 10 payers combined account for 7 percent of the total tax roll. The corporate tax base consists of several national and international firms with regional offices housing research, software development, robotic, design, and engineering and product development facilities. The City's residents are employed predominantly in management, professional sales, and related occupations. The City's unemployment rate of 3.4 percent is lower than the county unemployment rate and one-half of the state of Michigan unemployment rate of 6.8 percent at June 2004.

Farmington Hills is located in Oakland County, Michigan which hosts Automation Alley, a cluster of technology-driven companies. The Automation Alley Consortium is an energetic alliance of private businesses dedicated to strengthening the economic base of Oakland County and its immediate area of influence by developing and promoting Oakland County's first-class technology cluster. Employees and owners of Automation Alley's technology businesses enjoy high-paying jobs, challenging career opportunities, a lower-than-average cost of living, and a superb quality of life. Membership is made up of diverse high technology companies from a variety of industries, including:

- Computer software/hardware and information systems
- Telecommunications
- Robotics
- Alternative energy
- Consumer product development
- Industrial processes
- Automotive suppliers
- Automotive R&D
- Design and engineering
- Diversified (non-automotive) manufacturers
- Aeronautics
- Software development and more

For the fifth straight year, Oakland County led the state in new plants and expansions with 162 projects. Twenty-eight large scale construction projects last year represented an investment of \$182 million in Oakland County, along with the creation of 1,700 jobs and the retention of more than 1,000 other jobs.

In addition, Oakland County's per capita income of \$45,872 in 2000 is more than 50 percent above the average for both Michigan and the nation, and ranks within the top 1 percent of all counties in the United States of America.

Economic development staff of the City coordinate development activity with the City's Economic Development Corporation. The City participates in a business retention program and has formed a partnership with the Oakland County Planning and Economic Development Services Division and the Michigan Economic Development Corporation. Working together, they have been successful in assisting companies in expanding their business opportunities in the City.

The City Council annually reviews the updated "Six-year Capital Improvement Program" prepared by the City's Planning Commission, which directly impacts the City's infrastructure. The City Council adopts many of the projects in the first year of this program in the annual budget. The following acquisitions or improvements are planned for fiscal 2004-2005:

- Technology acquisitions include a financial software package and a document imaging system
- Sidewalk construction on the north side of Grand River in front of Hitachi, on the north side of 9 Mile Road from Polo Club Drive to Haggerty, and on the east side of Drake Road from East Lyman to Hampstead
- Relocation and reconstruction of fire station No. 3 from Wheeler Street to Grand River Avenue
- Replacement of two rescue units and purchase of six heart monitors for the fire department and various rolling stock for D.P.W.
- Reconstruction of the original nine holes of the golf course which will be linked to the new nine holes already built
- Management activities will continue regarding storm water improvements related to the Clean Water Act
- Miscellaneous storm drain improvements are scheduled as well as continued study of the Rouge watershed

**Cash Management** - The City complies with Public Act 20 of 1943 (as amended) of the State of Michigan in its cash management activities. Idle cash in all funds, exclusive of the Employees' Retirement System, is invested in certificates of deposit, governmental obligations, bankers' acceptances, bank pooled accounts, and commercial paper. Interest income for the governmental funds and Enterprise Funds for the current fiscal year is \$1,651,004, a decrease of \$373,531 from the fiscal year ended June 30, 2003. This loss was due primarily to rate reductions by the Federal Reserve.

The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. In the state of Michigan, municipalities are not required to insure all bank deposits; however, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories. The City utilizes an investment policy adopted by the City Council on November 16, 1999.

**Risk Management** - The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to eligible employees. The City is a member of the Michigan Municipal Workers' Compensation insurance pool and has purchased commercial insurance for medical benefit claims.

For claims relating to general and auto liabilities, auto physical damage, and property loss, the City participates in the Michigan Municipal Risk Management Authority (MMRMA) risk pool program that provides risk management, claim administration, legal defense, and reimbursement services for its members. As a member of MMRMA, Farmington Hills has liability coverage of up to \$15,000,000 per occurrence with a self-insured retention for liability of \$75,000 per occurrence with a stop-loss program maximum of \$853,000. Farmington Hills is actively involved in risk control through supervisor and employee training, facilities inspections, utilization of the MMRMA risk control staff, and City staff has participated in the production of several training videos.

The City of Farmington Hills is self-insured through the Michigan Municipal League (MML) Workers' Compensation Fund. The MML Workers' Compensation Fund utilizes Meadowbrook Insurance Company as a third-party administrator. The City has enjoyed remarkable success in managing its workers' compensation program, and has the distinction of receiving the MML "Workers' Compensation Loss Control Achievement Award." This distinction has brought with it significant monetary savings, estimated to be \$300,000 this year alone. Over the past decade, the City has saved over \$3.1 million in workers' compensation premiums. The City has a safety and health program, which includes an active safety committee, ongoing safety training, safety inspections, wellness programs, and a health newsletter. In addition to the favorable impact the program has had on insurance rates, the most important impact has been to protect the health and safety of the City's most valuable resource, its staff.

**Pension and Other Postemployment Benefits** - The City sponsors a single-employer defined benefit pension plan for the employees of the City and the employees of the 47<sup>th</sup> District Court. Each year, an independent actuary engaged by the pension plan calculates the amount of the annual contribution that the City of Farmington Hills must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City fully funds each year's annual required contribution to the pension plan as calculated by the actuary. In accordance with this policy, the City has, as of December 31, 2003, funded 96 percent of the present value of the projected benefits earned by employees. The remaining unfunded amount is being systematically funded over 30 years as part of the annual required contribution calculated by our actuary. The City also provides post-retirement health care benefits to eligible retired employees. These postretirement health care benefits are projected annually based on required contributions calculated by our actuary. At December 31, 2003, these postretirement health care benefits were 42 percent funded, with the remaining unfunded amount amortized over 30 years.

Additional information on the City's pension arrangements and postemployment benefits can be found in the notes to the financial statements.

## **Awards and Acknowledgements**


The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Farmington Hills for its CAFR for the fiscal year ended June 30, 2003. This was the sixth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year ended June 30, 2004. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device. This is the eighteenth consecutive year the City has received this award.

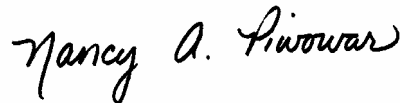
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and city manager departments. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. The independent auditing firm of Plante & Moran, PLLC provided assistance for proper presentation in the form of counsel, suggestions, and direct input. Credit also must be given to the mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Farmington Hills' finances.

Respectfully submitted,



Steve Brock  
City Manager

Robert Spaman  
Finance Director/Treasurer



Nancy A. Piwowar  
Controller

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Farmington Hills,  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in cursive script, reading "Edward Haney".

President

A handwritten signature in cursive script, reading "Jeffrey R. Enen".

Executive Director

## City of Farmington Hills, Michigan

### List of Principal Officials

June 30, 2004

Title	Name
City Manager	Steve Brock
Assistant City Manager	Dana Whinnery
Assistant to the City Manager	Teri Arbenowske
City Clerk	Kathryn Dornan
Central Services Director	Michael Lasley
Finance Director/Treasurer	Robert Spaman
Fire Chief	Richard Marinucci
Human Resources Director	Mary Moultrup
Planning and Community Development Director	Dale Countegan
Police Chief	William Dwyer
Public Services Director	Thomas Biasell
Special Services Director	David Boyer
City Attorney	Secrest, Wardle, Lynch, Hampton, Truex and Morley
Assistant Police Chief	Pat Browne
Assistant Police Chief	Charles Nebus
Assistant Police Chief	Richard Niemisto
Deputy Fire Chief	Corey Bartsch
Deputy Fire Chief	Kevin Bersche
Building Official	Thomas Williams
City Assessor	Dean Babb
City Engineer	William Otwell
City Planner	Edward Gardiner
Community Development Coordinator	Richard Lampi
Controller	Nancy Piwowar
Deputy City Clerk	Pamela Sibley
Deputy Director Special Services	Robb Clarkson
Deputy Treasurer	Lawrence Williams
Economic Development Coordinator	Charles Holmes
Fire Marshal	Stephen Hume
Public Works Superintendent	Dan Rooney
Zoning Division Supervisor	Lee Blizman

## City Profile



Farmington Hills, incorporated in 1973, is a 34 square mile suburban community with a pastoral and gently rolling terrain in Oakland County, located 17 miles from downtown Detroit. The City's tax base of \$3,830,232,170 is comprised of 65 percent residential property and 35 percent commercial, industrial, and personal property. The community's 81,058 residents live in approximately 33,615 households with a median household income of \$67,025 or \$26,810 per capita.

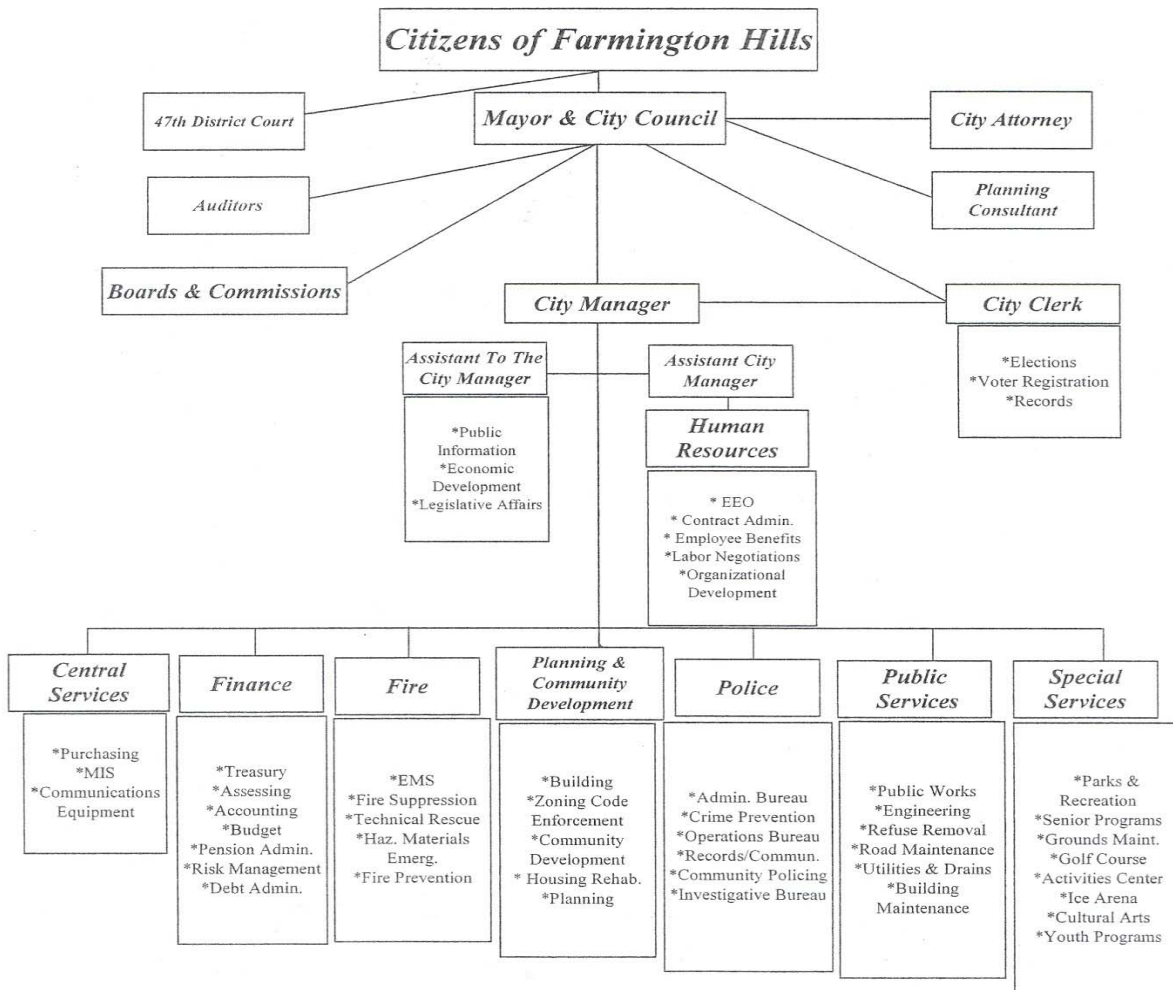
The City possesses an ideal location within 25 minutes of downtown Detroit and Detroit metro airport and at the focal point of a north/south and west/east freeway network. Industrial centers of Warren, the Saginaw/Flint area, Lansing, and Toledo, Ohio, as well as the Ann Arbor technology corridor, are within an hour's drive. Approximately half of America's disposable income, half of the country's work force, and nearly half of the total U.S. population are within a 500-mile radius of the City. This asset supports seven industrial parks totaling more than 600 acres, which provide first-rate services and facilities. In addition, the 12 Mile Road, Orchard Lake Road, and Northwestern Highway corridors host many commercial and office developments, which house many corporate headquarters and district offices of regional, national, and international prominence.

The community offers many premier residential areas providing a wide range of housing options including more than 23,000 single-family sites (including detached condominiums) and more than 11,000 apartment units designed to fit every life style.

The City's respect for its Quaker heritage is demonstrated by its commitment to historical preservation through its historic commission, historical district, and the conversion of the historic Spicer Estate House to a visitor center within the 211-acre passive Heritage Park, located in the center of the City.

The City is enhanced by exemplary educational opportunities for kindergarten through 12th grade via both public and private schools and a premier district library system with one of the highest annual circulation rates in the state. A broad spectrum of recreational and cultural activities are available within the City or within a short drive. Twelve major colleges and universities are within a 45-minute drive of the community. Quality health care is readily accessible through Botsford Hospital, which is a teaching osteopathic hospital associated with Michigan State University. Twelve major medical centers and hospitals are within a half-hour driving distance of the City. Many physicians affiliated with these medical facilities maintain their offices in Farmington Hills.

# CITY OF FARMINGTON HILLS





## City of Farmington Hills, Michigan

### Fund Organization Chart

<b>Governmental Funds</b>	
<b>General</b>	<b>Special Revenue</b>
General Fund	Major Road Local Road Public Safety Capital Improvement Community Development Block Grant (CDBG) Revolving Special Assessment Nutrition Grant Local Law Block Grant Police Forfeiture Parks and Recreation Special Millage Golf Course Capital Improvement Deferred Special Assessment
<b>Debt Service</b>	
Building Authority Act 175 Debt 1990 Issue Act 175 Debt 1992 Issue General Debt Service Special Assessments	
<b>Capital Projects</b>	
Special Assessments (SAD)	
<b>Proprietary Funds - Enterprise</b>	
Water and Sewer	Ice Arena
<b>Fiduciary Funds</b>	
<b>Pension and Other Employee Benefit Trust</b>	<b>Agency</b>
Employees' Retirement System Postretirement Health Care Finance Fund	Tax Collections General Agency
<b>Component Units</b>	
Economic Development Corporation	Brownfield Redevelopment Authority



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## Independent Auditor's Report

To the Honorable Mayor  
and Members of the City Council  
City of Farmington Hills, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Farmington Hills, Michigan as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Farmington Hills, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Farmington Hills, Michigan as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

A member of



A worldwide association of independent accounting firms

To the Honorable Mayor  
and Members of the City Council  
City of Farmington Hills, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Farmington Hills, Michigan's basic financial statements. The accompanying introductory section, other supplemental information, and statistical section, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, budgetary comparison schedules, and statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the City of Farmington Hills, Michigan's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Plante & Moran, PLLC*

October 27, 2004

# City of Farmington Hills, Michigan

## Management's Discussion and Analysis

### Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets (deficit) and the statement of activities provide information about the activities of the City of Farmington Hills, Michigan on a government-wide basis. They are designed to present a long-term view of the City's finances. Fund financial statements follow the above-mentioned statements and illustrate how the services provided by the City were financed in the short term, as well as what remains for future spending. Additionally, fund financial statements report the City's operations in more detail than the government-wide financial statements.

### The City of Farmington Hills as a Whole

The City's combined net assets increased 0.2 percent from a year ago, increasing from \$294.7 million to \$295.4 million. A review of the government activities, separate from the business-type activities, shows an increase of approximately \$0.8 million in net assets or 0.5 percent during fiscal year 2004. This increase was a result of continued growth/additions in property values, additional service charge revenue for city services, a gain on the sale of capital assets, and diligence in the area of expenditure control. Business-type activities net assets remained approximately the same. In condensed format, the table below shows the comparison of net assets (in millions of dollars) as of June 30, 2004 to the prior year:

TABLE I

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
<b>Assets</b>						
Current assets	\$ 41.3	\$ 42.8	\$ 47.7	\$ 47.6	\$ 89.0	\$ 90.4
Noncurrent assets:						
Restricted assets	0.7	0.8	-	-	0.7	0.8
Advances due from SWOCC	2.0	2.1	-	-	2.0	2.1
Capital assets	161.0	161.4	95.1	96.4	256.1	257.8
Total assets	205.0	207.1	142.8	144.0	347.8	351.1
<b>Liabilities</b>						
Current liabilities	5.2	6.2	3.6	3.8	8.8	10.0
Long-term liabilities	36.5	38.4	7.1	8.0	43.6	46.4
Total liabilities	41.7	44.6	10.7	11.8	52.4	56.4
<b>Net Assets</b>						
Invested in capital assets -						
Net of related debt	130.8	128.9	88.0	88.4	218.8	217.3
Restricted	16.1	16.5	-	-	16.1	16.5
Unrestricted	16.4	17.1	44.1	43.8	60.5	60.9
Total net assets	<u>\$ 163.3</u>	<u>\$ 162.5</u>	<u>\$ 132.1</u>	<u>\$ 132.2</u>	<u>\$ 295.4</u>	<u>\$ 294.7</u>

# City of Farmington Hills, Michigan

## Management's Discussion and Analysis (Continued)

The following table shows the changes of the net assets (in millions of dollars) for the year ended June 30, 2004:

TABLE 2

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 8.9	\$ 7.5	\$ 20.9	\$ 20.9	\$ 29.8	\$ 28.4
Operating grants and contributions	7.6	8.5	-	-	7.6	8.5
Capital grants and contributions	2.4	2.1	1.3	2.1	3.7	4.2
General revenue:						
Property taxes	39.6	38.1	-	-	39.6	38.1
State-shared revenues	7.0	7.8	-	-	7.0	7.8
Gain on sale of capital assets	2.6	0.2	-	-	2.6	0.2
Interest	1.0	1.4	0.7	0.6	1.7	2.0
Cable fees and other	0.6	1.3	-	-	0.6	1.3
Total revenue	69.7	66.9	22.9	23.6	92.6	90.5
<b>Program Expenses</b>						
General government	14.9	13.8	-	-	14.9	13.8
Public safety	25.3	24.6	-	-	25.3	24.6
Public works	15.6	16.0	-	-	15.6	16.0
Community and economic development	2.7	2.4	-	-	2.7	2.4
Recreation and culture	8.0	7.2	-	-	8.0	7.2
Interest on long-term debt	1.1	1.6	-	-	1.1	1.6
Water and sewer	-	-	22.7	22.2	22.7	22.2
Ice arena	-	-	1.6	1.7	1.6	1.7
Total program expenses	67.6	65.6	24.3	23.9	91.9	89.5
<b>Change in Net Assets Before Transfers</b>	2.1	1.3	(1.4)	(0.3)	0.7	1.0
<b>Transfers In (Out)</b>	(1.3)	0.6	1.3	(0.6)	-	-
<b>Net Assets - Beginning of year</b>	162.5	160.6	132.2	133.1	294.7	293.7
<b>Net Assets - End of year</b>	<u>\$ 163.3</u>	<u>\$ 162.5</u>	<u>\$ 132.1</u>	<u>\$ 132.2</u>	<u>\$ 295.4</u>	<u>\$ 294.7</u>

### Governmental Activities

The City's total governmental revenues, including transfers, increased by \$0.9 million or 0.1 percent. This was primarily attributed to property taxes (\$1.5 million or 3.9 percent), a gain of \$2.1 million on the sale of land, and \$1.4 million increase in revenues for city services. These increases were offset by a decrease in state-shared revenue of \$0.8 million due to continued fiscal problems at the State which lead to cuts in state-shared revenue, a decrease in investment income of \$0.4 million as a result of continued low interest rates in 2004 and approximately \$1.0 million less in operating grants.

# **City of Farmington Hills, Michigan**

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## **Management's Discussion and Analysis (Continued)**

Expenses increased by \$2.0 million or 3.0 percent over the last fiscal year. Major factors for this increase were refunds of special assessment district charges to property owners, the costs of the refunding bonds, and additional depreciation for the new courthouse and upgrades to the municipal golf course.

During the year, the City continued to meet the actuarial required contributions for both the Employees' Retirement System and the Retiree Health Plan. The City continues to prefund postretirement health care benefits as well as retirement benefits so that future taxpayers will not have to bear the burden of currently earned benefits.

### **Business-type Activities**

The City's business-type activities are recorded in the Water and Sewer Fund and the Ice Arena Fund. The City provides water purchased from the City of Detroit Water System through a contract with Oakland County Department of Public Works, which operates the City's utility system. The system incurred a \$3.7 million operating loss, compared to a \$2.8 million loss in 2003, resulting from a 4.7 percent decrease in revenue while maintaining the system at the same level as in prior years. This loss was offset by capital contributions, reduced debt service charges, and transfers from other funds for capital projects. The City manages its Ice Arena Fund like a business, with revenue generated by the arena paying for operational costs as well as funding principal and interest payments on \$6 million in bonds sold to construct the arena. Overall, business-type activities net assets remained approximately the same as the prior year.

### **The City's Funds**

An analysis of the City's major funds follows the government-wide financial statements. The fund financial statements provide detailed information on the most significant funds, not the City as a whole. In addition to State legislative requirements to maintain separate funds for Act 51 major and local road money, the City Council creates funds to administer certain dedicated dollars and demonstrate accountability to the citizens for special tax mileages voted by the citizens and earmarked bond proceeds. The City's major funds for fiscal 2004 include the General Fund, the Major Roads Fund, the Local Roads Fund, the Capital Improvement Fund, the Special Assessment Debt Service Fund, and the SAD Capital Projects Fund. Infrastructure improvements in the major funds category include the continued expansion of the municipal golf course, local road resurfacing, major road expansion and resurfacing, initial implementation of a new financial software package, the purchase of computer equipment, and the purchase of Department of Public Works equipment.

# **City of Farmington Hills, Michigan**

## **Management's Discussion and Analysis (Continued)**

### **General Fund Budgetary Highlights**

The city administration and City Council continuously monitor and amend the budget to reflect unanticipated events that occur during the year. The major changes during fiscal year 2004 were decreases in anticipated state-shared revenues and decreased interest income. These reductions were the result of the state of the economy and continued low interest rates. At year end, the actual General Fund revenues came in \$744,000 over the amended budget and expenses came in \$697,000 under the amended budget. Unfavorable expenditure variances for boards and commissions were caused by additional management fees in the pension and post-retirement health care plans as a result of increased assets in the plans. The unfavorable expense variance in corporation counsel was caused by higher than expected legal activities in 2004. The unfavorable variances in the fire department and engineering department were caused by higher personnel costs and the greater use of outside review consultants, respectively, than budgeted. The City completed fiscal year 2004 with a fund balance of approximately \$1.4 million over what was forecasted in the amended budget.

### **Capital Asset and Debt Administration**

On June 30, 2004, the City had \$256.1 million in net capital assets ranging from land, buildings, equipment, technology equipment, and water and sewer lines. The value of infrastructure assets, net of depreciation, included in this report is \$91.3 million (see Note 4 of the notes to the basic financial statements for additional information).

Debt reported in these financial statements is related to the construction of the above-mentioned infrastructure assets and is reported as a liability on the statement of net assets (deficit) (see Note 6 of the notes to the basic financial statements for additional information). During the fiscal year, the City issued \$1,050,000 in special assessment bonds and \$2,910,000 in refunding bonds to refinance two Building Authority bonds.

### **Economic Factors and Next Year's Budgets and Rates**

The City's tax rate has been stable for the last eight years at approximately 10.2 mills. Due to continued growth in the City's tax base and budgeting conservatism, the tax rate for fiscal year 2005 will remain the same as fiscal year 2004, 10.2221 mills. The City's tax base continues to grow. The growth in the tax base is 3.8 percent for fiscal year 2005. The tax base is well diversified with residential accounting for 65 percent, commercial 21 percent, industrial 6 percent, and personal property 8 percent. Tax base diversification is further demonstrated by the fact that the top 20 taxpayers combined account for less than 10 percent of the tax roll. Taxes account for 61 percent of General Fund revenues. State-shared revenue, which amounts to 13 percent of the fiscal year 2005 General Fund budget, remains in critical condition and is forecasted to be at \$6.6 million, down from \$8.1 million received in fiscal year 2002. Despite this expectation, the fiscal year 2005 General Fund budget is balanced.

# **City of Farmington Hills, Michigan**

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## **Management's Discussion and Analysis (Continued)**

On the expense side, the City operates with a relatively small labor force and low personnel costs. The only abnormal cost increases are projected in health care costs both for current employees and retirees. The City will continue to adjust expenditures in fiscal year 2005 to match revenue projections as they are revised.

### **Contacting the City's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, we invite you to contact the administrative offices at City Hall at (248) 871-2500.



# City of Farmington Hills, Michigan

## Statement of Net Assets (Deficit) June 30, 2004

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents (Note 3)	\$ 33,343,496	\$ 40,328,190	\$ 73,671,686	\$ 448,154
Receivables:				
Customers	-	5,141,691	5,141,691	-
Special assessments	3,952,506	-	3,952,506	-
Accrued interest and other	658,795	39,703	698,498	14
Due from other governmental units:				
Component units	404,139	1,773,948	2,178,087	-
Others	2,352,370	272,766	2,625,136	-
Advances due from SWOCC (Note 11)	2,026,061	-	2,026,061	-
Internal balances (Note 4)	(29,363)	29,363	-	-
Inventories	591,451	80,697	672,148	-
Restricted assets (Note 7)	725,593	-	725,593	-
Capital assets (Note 4):				
Depreciated (Net)	109,011,774	93,113,487	202,125,261	-
Not depreciated	51,979,263	2,007,563	53,986,826	-
<b>Total assets</b>	<b>205,016,085</b>	<b>142,787,408</b>	<b>347,803,493</b>	<b>448,168</b>
<b>Liabilities</b>				
Accounts payable	2,340,491	1,428,616	3,769,107	21
Accrued and other liabilities	2,719,084	2,175,282	4,894,366	-
Due to primary government	-	-	-	2,178,087
Deferred revenue (Note 13)	72,248	-	72,248	-
Noncurrent liabilities (Note 6):				
Due within one year	5,945,938	781,941	6,727,879	-
Due in more than one year	30,579,338	6,332,832	36,912,170	-
<b>Total liabilities</b>	<b>41,657,099</b>	<b>10,718,671</b>	<b>52,375,770</b>	<b>2,178,108</b>
<b>Net Assets (Deficit)</b>				
Invested in capital assets - Net of related debt	130,784,565	88,006,277	218,790,842	-
Restricted:				
Streets and highways	5,239,763	-	5,239,763	-
Debt service	9,167,970	-	9,167,970	-
Public safety	106,003	-	106,003	-
Parks and recreation	188,480	-	188,480	-
Capital projects	762,183	-	762,183	-
County drains	725,593	-	725,593	-
Unrestricted	16,384,429	44,062,460	60,446,889	(1,729,940)
<b>Total net assets (deficit)</b>	<b>\$ 163,358,986</b>	<b>\$ 132,068,737</b>	<b>\$ 295,427,723</b>	<b>\$ (1,729,940)</b>

# City of Farmington Hills, Michigan

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 14,927,324	\$ 2,408,233	\$ 70,925	\$ -
Public safety	25,327,565	1,373,064	179,814	30,849
Public works	15,604,121	1,464,823	5,902,509	2,163,368
Community and economic development	2,668,310	1,126,532	947,017	-
Recreation and culture	8,013,428	2,527,898	427,356	201,902
Interest on long-term debt	1,092,071	-	-	-
Total governmental activities	67,632,819	8,900,550	7,527,621	2,396,119
Business-type activities:				
Water and sewer	22,673,412	19,374,699	-	1,345,551
Ice arena	1,610,107	1,557,670	-	-
Total business-type activities	24,283,519	20,932,369	-	1,345,551
Total primary government	<u>\$ 91,916,338</u>	<u>\$ 29,832,919</u>	<u>\$ 7,527,621</u>	<u>\$ 3,741,670</u>
Component units:				
Economic Development Corporation	\$ 89,253	\$ -	\$ -	\$ -
Brownfield Redevelopment Authority	280,072	-	-	-
Total component units	<u>\$ 369,325</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State-shared revenues				
Cable fees (unrestricted)				
Unrestricted investment earnings				
Gain on disposal				
Miscellaneous				
Transfers				
Total general revenues and transfers				
<b>Change in Net Assets</b>				
<b>Net Assets (Deficit) - Beginning of year</b>				
<b>Net Assets (Deficit) - End of year</b>				

**Statement of Activities**  
**Year Ended June 30, 2004**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (12,448,166)	\$ -	\$ (12,448,166)	\$ -
(23,743,838)	-	(23,743,838)	-
(6,073,421)	-	(6,073,421)	-
(594,761)	-	(594,761)	-
(4,856,272)	-	(4,856,272)	-
(1,092,071)	-	(1,092,071)	-
(48,808,529)	-	(48,808,529)	-
-	(1,953,162)	(1,953,162)	-
-	(52,437)	(52,437)	-
-	(2,005,599)	(2,005,599)	-
(48,808,529)	(2,005,599)	(50,814,128)	-
-	-	-	(89,253)
-	-	-	(280,072)
-	-	-	(369,325)
39,581,555	-	39,581,555	63,855
7,043,252	-	7,043,252	-
499,605	-	499,605	-
1,044,328	651,767	1,696,095	5,495
2,555,618	-	2,555,618	-
195,344	-	195,344	1,600
(1,252,200)	1,252,200	-	-
49,667,502	1,903,967	51,571,469	70,950
858,973	(101,632)	757,341	(298,375)
162,500,013	132,170,369	294,670,382	(1,431,565)
<b>\$ 163,358,986</b>	<b>\$ 132,068,737</b>	<b>\$ 295,427,723</b>	<b>\$ (1,729,940)</b>

# City of Farmington Hills, Michigan

	Major Funds				
	General	Major Road	Local Road	Capital Improvement	Special Assessments Debt Service
<b>Assets</b>					
Cash and cash equivalents (Note 3)	\$ 15,244,470	\$ 3,482,947	\$ 1,183,157	\$ 1,948,634	\$ 5,343,501
Receivables:					
Special assessments	-	-	-	-	3,056,980
Other governmental units:					
Component units	4,139	-	-	400,000	-
Others	1,341,143	720,704	248,227	42,296	-
Accrued interest and other	376,424	429	198	252,000	23,708
Due from other funds (Note 5)	504,353	35	456,554	-	1,450
Advances due from Southwestern Oakland Cable Commission (Note 11)	2,026,061	-	-	-	-
<b>Total assets</b>	<b>\$ 19,496,590</b>	<b>\$ 4,204,115</b>	<b>\$ 1,888,136</b>	<b>\$ 2,642,930</b>	<b>\$ 8,425,639</b>
<b>Liabilities and Fund Balances (Deficit)</b>					
<b>Liabilities</b>					
Accounts payable	\$ 961,616	\$ 382,311	\$ 163,780	\$ 756,150	\$ 10,386
Accrued and other liabilities	2,367,895	-	-	31,044	-
Due to other funds	38,067	233,529	72,868	9,315	10,207
Deferred revenue (Note 13)	-	-	-	252,000	3,056,980
<b>Total liabilities</b>	<b>3,367,578</b>	<b>615,840</b>	<b>236,648</b>	<b>1,048,509</b>	<b>3,077,573</b>
<b>Fund Balances (Deficit)</b>					
Reserved for:					
Long-term advances	2,026,061	-	-	-	-
Encumbrances	235,600	-	-	-	-
Unreserved:					
Designated (Note 12):					
General Fund	6,499,057	-	-	-	-
Special Revenue Funds	-	3,588,275	1,651,488	-	-
Capital Projects Fund	-	-	-	1,594,421	-
Debt Service Funds	-	-	-	-	5,348,066
Undesignated	7,368,294	-	-	-	-
<b>Total fund balances (deficit)</b>	<b>16,129,012</b>	<b>3,588,275</b>	<b>1,651,488</b>	<b>1,594,421</b>	<b>5,348,066</b>
<b>Total liabilities and fund balances     (deficit)</b>	<b>\$ 19,496,590</b>	<b>\$ 4,204,115</b>	<b>\$ 1,888,136</b>	<b>\$ 2,642,930</b>	<b>\$ 8,425,639</b>

**Governmental Funds  
Balance Sheet  
June 30, 2004**

<u>SAD Capital Projects</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ (16,202)	\$ 6,156,989	\$ 33,343,496
895,526	-	3,952,506
-	-	404,139
-	-	2,352,370
-	6,036	658,795
-	7,086	969,478
-	-	2,026,061
<u><b>\$ 879,324</b></u>	<u><b>\$ 6,170,111</b></u>	<u><b>\$ 43,706,845</b></u>
\$ 174	\$ 66,074	\$ 2,340,491
-	20,779	2,419,718
116,967	517,888	998,841
<u>895,526</u>	<u>72,248</u>	<u>4,276,754</u>
1,012,667	676,989	10,035,804
-	-	2,026,061
-	-	235,600
-	-	6,499,057
-	4,730,198	9,969,961
-	-	1,594,421
-	762,924	6,110,990
<u>(133,343)</u>	<u>-</u>	<u>7,234,951</u>
<u>(133,343)</u>	<u>5,493,122</u>	<u>33,671,041</u>
<u><b>\$ 879,324</b></u>	<u><b>\$ 6,170,111</b></u>	<u><b>\$ 43,706,845</b></u>

# City of Farmington Hills, Michigan

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## Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets (Deficit) June 30, 2004

<b>Total Fund Balances of Governmental Funds</b>	\$ 33,671,041
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Amounts reported for governmental activities in the statement of net assets (deficit) are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	160,991,037
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Long-term receivables such as special assessments are expected to be collected over several years in the governmental funds and are not available to pay for current year expenditures	4,204,506
--	-----------

Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:	
Bonds payable	(30,206,472)
Accrued interest payable	(299,366)
Compensated absences	(5,396,804)
General liability claims	(922,000)

Cash held by Oakland County for drain projects is not included as an asset in the governmental funds	725,593
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Inventories are not recorded as assets in the governmental funds	<u>591,451</u>
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<b>Net Assets of Governmental Activities</b>	<b><u>\$ 163,358,986</u></b>
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# City of Farmington Hills, Michigan

	Major Funds			
	General	Major Road	Local Road	Capital Improvement
<b>Revenue</b>				
Property taxes	\$ 29,462,182	\$ -	\$ -	\$ 1,489,342
Intergovernmental revenue:				
Federal	58,001	496,185	-	-
State	7,328,636	4,472,011	1,460,575	53,990
Other	151,902	-	-	-
Special assessments	-	-	-	-
Charges for services	6,930,483	-	-	-
Fines and forfeitures	2,406,863	-	-	-
Investment and interest income	538,666	27,735	9,944	63,903
Miscellaneous revenue	273,269	101,669	7,497	2,488,412
Total revenue	47,150,002	5,097,600	1,478,016	4,095,647
<b>Expenditures</b>				
Current:				
General government	12,918,528	-	-	-
Public safety	19,640,291	-	-	-
Public works	6,701,557	4,574,960	2,636,241	-
Community and economic development	2,042,436	-	-	-
Recreation and culture	5,586,899	-	-	-
Capital outlay	-	-	-	5,084,203
Debt service	-	-	-	-
Total expenditures	46,889,711	4,574,960	2,636,241	5,084,203
<b>Excess of Revenue Over (Under) Expenditures</b>	260,291	522,640	(1,158,225)	(988,556)
<b>Other Financing Sources (Uses)</b>				
Transfers in	834,540	1,326,821	1,546,943	2,030,300
Transfers out	(1,050,000)	(948,246)	-	(784,496)
Proceeds from long-term debt	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Total other financing sources (uses)	(215,460)	378,575	1,546,943	1,245,804
<b>Net Change in Fund Balances</b>	44,831	901,215	388,718	257,248
<b>Fund Balances - Beginning of year</b>	16,084,181	2,687,060	1,262,770	1,337,173
<b>Fund Balances - End of year</b>	<u>\$ 16,129,012</u>	<u>\$ 3,588,275</u>	<u>\$ 1,651,488</u>	<u>\$ 1,594,421</u>

**Governmental Funds**  
**Statement of Revenue, Expenditures, and**  
**Changes in Fund Balances**  
**Year Ended June 30, 2004**

Special Assessments Debt Service	SAD Capital Projects	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 8,630,031	\$ 39,581,555
-	-	973,633	1,527,819
-	-	50,000	13,365,212
-	-	-	151,902
871,813	765,293	-	1,637,106
-	-	-	6,930,483
-	-	-	2,406,863
201,560	20,943	136,486	999,237
-	-	840,803	3,711,650
1,073,373	786,236	10,630,953	70,311,827
418,943	70,874	-	13,408,345
-	-	4,082,329	23,722,620
-	-	-	13,912,758
-	-	338,968	2,381,404
-	-	388,890	5,975,789
-	9,017	933,261	6,026,481
1,340,323	112,195	3,181,866	4,634,384
1,759,266	192,086	8,925,314	70,061,781
(685,893)	594,150	1,705,639	250,046
1,045,851	-	2,442,774	9,227,229
-	(1,888,232)	(5,808,455)	(10,479,429)
-	1,050,000	2,910,000	3,960,000
-	-	(2,910,000)	(2,910,000)
1,045,851	(838,232)	(3,365,681)	(202,200)
359,958	(244,082)	(1,660,042)	47,846
4,988,108	110,739	7,153,164	33,623,195
<u>\$ 5,348,066</u>	<u>\$ (133,343)</u>	<u>\$ 5,493,122</u>	<u>\$ 33,671,041</u>



# City of Farmington Hills, Michigan

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2004**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 47,846</b>
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Amounts reported for governmental activities in the statement of net activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay expenditures	8,102,545
Depreciation expense - Net of adjustments	(8,559,977)

Revenue, such as special assessment revenue, reported in the statement of activities in previous years did not provide current financial resources in the governmental funds until the current year	(571,263)
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities	6,535,702
---	-----------

Proceeds from long-term debt and payment to refunded bond escrow agent are reported as other financing sources in the governmental funds, but not in the statement of activities:	
Proceeds from long-term debt	(3,960,000)
Payment to refunded bond escrow agent	(210,000)

Repair and maintenance expenses paid for with restricted cash held by Oakland County are not included in governmental funds	(115,352)
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The change in liabilities for accrued interest payable, compensated absences, and general claims are recorded when incurred in the statement of activities:	
Accrued interest payable	33,792
Compensated absences	(419,007)

Inventories are not recorded in the governmental funds	<u>(25,313)</u>
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<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 858,973</u></b>
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# City of Farmington Hills, Michigan

## Proprietary Funds Statement of Net Assets June 30, 2004

	Enterprise Funds		
	Water and Sewer Fund	Ice Arena Fund	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents (Note 3)	\$ 39,964,127	\$ 364,063	40,328,190
Receivables:			
Customers	5,141,691	-	5,141,691
Other governmental units:			
Component units	1,773,948	-	1,773,948
Other	272,766	-	272,766
Interest and other	39,632	71	39,703
Due from other funds (Note 5)	1,025	30,000	31,025
Inventories	80,697	-	80,697
Total current assets	47,273,886	394,134	47,668,020
Capital assets (Note 4)	90,540,400	4,580,650	95,121,050
Total assets	137,814,286	4,974,784	142,789,070
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	1,371,049	57,567	1,428,616
Accrued and other liabilities	2,050,974	124,308	2,175,282
Due to other funds	1,662	-	1,662
Current portion of long-term debt (Note 6)	461,941	320,000	781,941
Total current liabilities	3,885,626	501,875	4,387,501
Long-term debt - Net of current portion (Note 6)	2,434,082	3,898,750	6,332,832
Total liabilities	6,319,708	4,400,625	10,720,333
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	87,644,377	361,900	88,006,277
Unrestricted	43,850,201	212,259	44,062,460
Total net assets	<u>\$ 131,494,578</u>	<u>\$ 574,159</u>	<u>\$ 132,068,737</u>

# City of Farmington Hills, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2004

	Enterprise Funds		
	Water and Sewer Fund	Ice Arena Fund	Total
<b>Operating Revenue</b>			
Sale of water	\$ 9,265,183	\$ -	\$ 9,265,183
Sewage disposal charges	7,954,533	-	7,954,533
Ice arena rentals	-	1,246,863	1,246,863
Food sales	-	190,787	190,787
Retail sales	-	31,985	31,985
Other	1,153,110	88,035	1,241,145
Total operating revenue	18,372,826	1,557,670	19,930,496
<b>Operating Expenses</b>			
Cost of water purchased	7,104,033	-	7,104,033
Cost of sewage treatment	6,503,997	-	6,503,997
Cost of ice arena sales	-	96,940	96,940
Operations and maintenance	3,646,759	1,021,427	4,668,186
Depreciation	3,265,203	258,741	3,523,944
General and administrative	1,569,086	-	1,569,086
Total operating expenses	22,089,078	1,377,108	23,466,186
<b>Operating Income (Loss)</b>	(3,716,252)	180,562	(3,535,690)
<b>Nonoperating Revenue (Expenses)</b>			
Investment income	649,456	2,311	651,767
Interest expense	(191,439)	(232,999)	(424,438)
Capital charges	885,213	-	885,213
Debt service charges	460,338	-	460,338
Tap fees	1,001,873	-	1,001,873
Other	(392,895)	-	(392,895)
Total nonoperating revenue (expenses)	2,412,546	(230,688)	2,181,858
<b>Loss - Before transfers</b>	(1,303,706)	(50,126)	(1,353,832)
<b>Transfers In from Other Funds</b>	1,252,200	-	1,252,200
<b>Change in Net Assets</b>	(51,506)	(50,126)	(101,632)
<b>Net Assets - Beginning of year</b>	131,546,084	624,285	132,170,369
<b>Net Assets - End of year</b>	<u>\$ 131,494,578</u>	<u>\$ 574,159</u>	<u>\$ 132,068,737</u>

# City of Farmington Hills, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2004

	Enterprise Funds		
	Water and Sewer Fund	Ice Arena Fund	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 27,501,852	\$ 1,544,255	\$ 29,046,107
Payments to suppliers	(19,495,419)	(548,727)	(20,044,146)
Payments to employees	-	(551,209)	(551,209)
Net cash provided by operating activities	8,006,433	444,319	8,450,752
<b>Cash Flows from Noncapital Financing Activities</b> - Transfers and advances to other funds	1,252,200	-	1,252,200
<b>Cash Flows from Capital and Related Financing Activities</b>			
Collection of debt service and capital charges	1,345,551	-	1,345,551
Purchase of capital assets	(2,256,611)	-	(2,256,611)
Principal and interest paid on capital debt	(778,998)	(520,499)	(1,299,497)
Tap-in fees and other	608,978	-	608,978
Net cash used in capital and related financing activities	(1,081,080)	(520,499)	(1,601,579)
<b>Cash Flows from Investing Activities</b> - Interest received on investments	661,309	2,375	663,684
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	8,838,862	(73,805)	8,765,057
<b>Cash and Cash Equivalents</b> - Beginning of year	31,125,265	437,868	31,563,133
<b>Cash and Cash Equivalents</b> - End of year	<b>\$ 39,964,127</b>	<b>\$ 364,063</b>	<b>\$ 40,328,190</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>			
Operating income (loss)	\$ (3,716,252)	\$ 180,562	\$ (3,535,690)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation and amortization	3,265,203	258,741	3,523,944
Changes in assets and liabilities:			
Receivables	3,768,697	63	3,768,760
Due from other funds	5,360,329	(13,478)	5,346,851
Inventories	197,200	-	197,200
Accounts payable	(1,827,022)	11,863	(1,815,159)
Accrued and other liabilities	958,278	6,568	964,846
Net cash provided by operating activities	<b>\$ 8,006,433</b>	<b>\$ 444,319</b>	<b>\$ 8,450,752</b>

# City of Farmington Hills, Michigan

## Fiduciary Funds Statement of Net Assets

	Pension and Other Employee Benefit Trust Funds - December 31, 2003	Agency Funds - June 30, 2004
<b>Assets</b>		
Cash and cash equivalents	\$ -	\$ 6,019,333
Investments:		
Pooled funds	4,343,921	-
Mutual funds	3,000,419	-
U.S. government securities	7,986,693	-
U.S. agency mortgage-backed securities	8,631,968	-
Corporate bonds and securities	10,671,988	-
Common stocks	64,955,480	-
Receivables:		
Due from others	2,921	3,317
Other	322,764	-
Total assets	99,916,154	<u><u>\$ 6,022,650</u></u>
<b>Liabilities</b>		
Performance bonds and deposits	-	\$ 4,711,825
Due to other governmental units	6,565	1,310,825
Total liabilities	6,565	<u><u>\$ 6,022,650</u></u>
<b>Net Assets</b> - Held in trust for pension and other employee benefits	<u><u>\$ 99,909,589</u></u>	

# City of Farmington Hills, Michigan

## Fiduciary Funds Statement of Changes in Net Assets Year Ended December 31, 2003

	Pension and Other Employee Benefit Trust Funds
<b>Additions</b>	
Investment income:	
Interest and dividends	\$ 2,219,393
Net increase in fair value of investments	<u>12,070,961</u>
Net investment income	14,290,354
Contributions:	
Employer	4,676,299
Employee	<u>1,309,116</u>
Total contributions	<u>5,985,415</u>
Total additions	20,275,769
<b>Deductions</b>	
Benefit payments	2,432,025
Refunds of contributions	<u>446,316</u>
Total deductions	<u>2,878,341</u>
<b>Net Increase in Plan Net Assets</b>	17,397,428
<b>Net Assets Held in Trust for Pension and Other Employee Benefits</b>	
Beginning of year	<u>82,512,161</u>
End of year	<u><u>\$ 99,909,589</u></u>

# City of Farmington Hills, Michigan

## Component Units Statement of Net Assets (Deficit) June 30, 2004

	Economic Development Corporation	Brownfield Redevelopment Authority	Total
<b>Assets</b>			
Cash and cash equivalents (Note 3)	\$ 424,572	\$ 23,582	\$ 448,154
Receivables - Accrued interest and other	14	-	14
Total assets	424,586	23,582	448,168
<b>Liabilities</b>			
Accounts payable	21	-	21
Due to primary government	4,139	2,173,948	2,178,087
Total liabilities	4,160	2,173,948	2,178,108
<b>Net Assets (Deficit) - Unrestricted</b>	<b>\$ 420,426</b>	<b>\$ (2,150,366)</b>	<b>\$ (1,729,940)</b>

# City of Farmington Hills, Michigan

## Component Units Statement of Activities Year Ended June 30, 2004

		Net Expense and Change in Net Assets		
		Economic Development Corporation	Brownfield Redevelopment Authority	Total
	Expenses			
Economic Development Corporation - Community and economic development	\$ 89,253	\$ (89,253)	\$ -	\$ (89,253)
Brownfield Redevelopment Authority - Public works	<u>280,072</u>	<u>-</u>	<u>(280,072)</u>	<u>(280,072)</u>
Total	<u><b>\$ 369,325</b></u>	<u>(89,253)</u>	<u>(280,072)</u>	<u>(369,325)</u>
General revenues:				
Taxes		-	63,855	63,855
Interest		4,631	864	5,495
Other		<u>1,600</u>	<u>-</u>	<u>1,600</u>
Total general revenues		<u>6,231</u>	<u>64,719</u>	<u>70,950</u>
<b>Change in Net Assets</b>		(83,022)	(215,353)	(298,375)
<b>Net Assets (Deficit) - Beginning of year</b>		<u>503,448</u>	<u>(1,935,013)</u>	<u>(1,431,565)</u>
<b>Net Assets (Deficit) - End of year</b>		<u><b>\$ 420,426</b></u>	<u><b>\$ (2,150,366)</b></u>	<u><b>\$ (1,729,940)</b></u>



# City of Farmington Hills, Michigan

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## Notes to Financial Statements June 30, 2004

### Note I - Summary of Significant Accounting Policies

The accounting policies of the City of Farmington Hills, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Farmington Hills, Michigan:

#### **Reporting Entity**

The City of Farmington Hills, Michigan is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

**Blended Component Units** - The Farmington Hills Building Authority (the "Authority") is governed by a Board that is appointed by the City Council. Although it is legally separate from the City, the Authority is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings. The operations of the Authority are reported as a nonmajor Debt Service Fund.

- a. The Economic Development Corporation (the "Corporation") was created to encourage and assist commercial and industrial enterprises to locate and expand facilities and services to the City and its residents. The Corporation's governing body, which consists of nine individuals, is appointed by the City Council. In certain situations, members of the Board of Directors may be removed by a majority of the City Council. Complete financial statements for the Economic Development Corporation can be obtained from the administrative office at 31555 Eleven Mile Road, Farmington Hills, MI 48336.
- b. The Brownfield Redevelopment Authority was created to facilitate the implementation of plans for the identification, treatment, and revitalization of environmentally distressed areas within the City designated as Brownfield Redevelopment Zones. The Brownfield Redevelopment Authority's governing Board of Directors, consisting of nine members, is appointed by the mayor subject to approval by the City Council. In certain situations, members of the Board of Directors may be removed by action of the City Council. Complete financial statements for the Brownfield Redevelopment Authority can be obtained from the administrative office at 31555 Eleven Mile Road, Farmington Hills, MI 48336.

# City of Farmington Hills, Michigan

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## Notes to Financial Statements June 30, 2004

### Note 1 - Summary of Significant Accounting Policies (Continued)

#### Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets (deficit) and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements.

Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the discretely presented component units for which the City is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

**General Fund** - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Major Road Fund** - The Major Road Fund accounts for the construction, maintenance, and repairs of all streets classified as "major roads" within the City. Financing is provided primarily by state-shared gas and weight taxes and local contributions. The fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

# City of Farmington Hills, Michigan

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## Notes to Financial Statements June 30, 2004

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Local Road Fund** - The Local Road Fund accounts for the construction, maintenance, and repairs of all streets classified as "local roads" within the City. Financing is provided primarily by state-shared gas and weight taxes and local contributions. The fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

**Capital Improvement Fund** - The Capital Improvement Fund accounts for projects and equipment acquisitions in excess of \$25,000 financed by millage from within the City Charter millage cap allocated for this purpose by the City Council.

**Special Assessments Debt Service Fund** - The Special Assessments Debt Service Fund is used to accumulate special assessment collections to be used to pay debt service costs for bonds issued for specific local improvements that benefit property owners.

**SAD Capital Projects Fund** - The SAD Capital Projects Fund is used to account for the construction activity for local improvements that benefit property owners.

The City reports the following major Enterprise Funds:

**Water and Sewer Fund** - The Water and Sewer Fund accounts for the activity of the water distribution and sewage collection systems administered by Oakland County.

**Ice Arena Fund** - The Ice Arena Fund accounts for the operations and maintenance of the City's ice arena. User fees provide the funding needed to operate and maintain the arena.

Additionally, the City reports the following fund types:

**Pension and Other Employee Benefit Trust Funds** - The Pension and Other Employee Benefit Trust Funds account for the activities of employee benefit plans that accumulate resources for pension and other postemployment benefit payments to qualified employees.

**Agency Funds** - The Agency Funds account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, or other governments.

# City of Farmington Hills, Michigan

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## Notes to Financial Statements June 30, 2004

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

#### **Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenue, special assessments collected in the current fiscal period, and interest. All other revenue items are considered available only when cash is received. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal on-going operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Private sector standards of accounting issued before December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to apply private sector standards issued after November 30, 1989 for its Enterprise Funds.

# City of Farmington Hills, Michigan

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## Notes to Financial Statements June 30, 2004

### Note 1 - Summary of Significant Accounting Policies (Continued)

#### Assets, Liabilities, and Net Assets or Equity

**Cash and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

**Property Taxes** - Property taxes are assessed as of December 31. The related property taxes are billed on July 1 of the following year and become a lien at that time. These taxes are payable at the City until August 31 without penalty. The final collection date by the City Treasurer is February 28 before they are added to the County tax rolls.

The 2003 taxable valuation of the City totaled \$3,830,232,170, on which ad valorem taxes levied consisted of 8.1924 mills for the City's operating purposes, .4888 mills for parks and recreation, .5629 mills for refuse, and .9780 mills for public safety. The ad valorem taxes levied raised \$31,000,000 for operations, \$1,900,000 for parks and recreation, \$2,200,000 for refuse, and \$3,700,000 for public safety. These amounts are recognized in the respective General, Special Revenue, and Debt Service Funds financial statements as taxes receivable - current or as tax revenue.

**Inventories** - Inventories are valued at cost, on a first-in, first-out basis, which approximates market value. Inventories of governmental funds are recorded as expenditures when purchased.

**Restricted Assets** - Restricted assets include amounts on deposit with Oakland County being held for the construction, maintenance, and related debt service of storm drains within the City.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

# City of Farmington Hills, Michigan

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## Notes to Financial Statements June 30, 2004

### Note I - Summary of Significant Accounting Policies (Continued)

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Drains	50 years
Roads and sidewalks	20 to 50 years
Land improvements	15 to 30 years
Buildings and building improvements	30 years
Vehicles	3 to 5 years
Machinery and equipment	7 to 20 years
Office equipment and furniture	5 to 7 years
Water and sewer distribution systems	40 to 50 years

**Compensated Absences** - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. The government-wide and proprietary statements accrue all vacation, sick, and personal pay as it is earned. A liability for these amounts is reported in governmental funds as it comes due for payment, generally when the time is taken off or employees terminate.

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

# **City of Farmington Hills, Michigan**

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## **Notes to Financial Statements June 30, 2004**

### **Note 2 - Stewardship, Compliance, and Accountability**

The City adopts a formal budget for the General Fund and all Special Revenue and Debt Service Funds. By February 1 of each year, all department heads submit spending requests to the finance director so that a budget may be prepared. The proposed budget is adopted no later than the first regular Council meeting in June. The City Council must approve any budget amendments. During the year, the budget was amended in a legally permissible manner.

The budget is adopted on an activity basis. Although spending estimates are produced for each line item, budgetary control is exercised at the activity level. The city manager is authorized to transfer budgeted amounts within budgetary centers (activity); however, any revisions that alter the total expenditures of any budgetary expenditure (activity) must be approved by the City Council. Expenditures at this level in excess of budget appropriation are a violation of Michigan law. Encumbrances represent commitments related to unperformed contracts (or purchase orders) for goods or services. Encumbrances are not included as expenditures or liabilities; the amount of encumbrances outstanding in the General Fund at June 30, 2004 totals approximately \$235,600. The amount of encumbrances outstanding at June 30, 2004 for all other funds is not significant.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except the activity related to the defeasance of county contractual obligations was not budgeted. Comparison schedules are presented on the same basis of accounting used in preparing the adopted budget.

The budget information for revenue and expenditures presented for the General Fund, Special Revenue Funds, and Debt Service Funds is a summarization of the actual adopted budget. Individual amendments were not material in relation to the original appropriations that were adopted. Budget appropriations lapse at year end; encumbrances are not included as expenditures. A comparison of the adopted budget with the actual revenue and expenditures for the year is presented as required supplemental information.

Due to the volume of individual Special Assessment Funds maintained by the City, the activity for the funds has been presented on a combined basis in the SAD Capital Projects Fund and the Special Assessment Debt Service Fund for financial statement purposes. In accordance with State of Michigan law, the City maintains separate funds for all special assessment districts.

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2004

### Note 2 - Stewardship, Compliance, and Accountability (Continued)

#### Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the City incurred expenditures at the budgetary center level over budget as follows:

Fund	Amended Budget	Actual	Variance
General Fund - Boards and commissions	\$ 6,246,394	\$ 6,299,886	\$ (53,492)
Major Special Revenue Funds:			
Major Road Fund - Transfers out	(912,325)	(948,246)	(35,921)
Capital Improvement Fund - Transfers out	(766,989)	(784,496)	(17,507)

These unfavorable variances were caused by unanticipated expenditures that became necessary during the year or were offset by positive variances in other areas.

At June 30, 2004, the following Special Assessments Capital Projects Districts have fund deficits:

Fund Number	Amount
313	\$ 5,478
316	40,972
317	69,879
318	1,875
319	20,617
Total	<u>\$ 138,821</u>

These deficits are the result of special assessment bonding (financing) not being used to fund the projects. When the special assessment receivable is collected in ensuing years, revenue will be recognized and the deficits will be eliminated.



# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2004

### Note 2 - Stewardship, Compliance, and Accountability (Continued)

In addition, the Brownfield Redevelopment Authority has a deficit of \$2,150,366 at June 30, 2004. The deficit is the result of expenditures incurred that have been financed through borrowings from the Water and Sewer Fund. These borrowings will be repaid through the collection of tax increment revenue in future periods.

**State Construction Code Act** - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall - July 1, 2003	\$	(331,769)
Current year building permit revenue		1,030,819
Related expenses:		
Direct costs	\$	1,285,954
Estimated indirect costs		<u>220,910</u>
Total construction code expenses		<u>1,506,864</u>
Cumulative shortfall - June 30, 2004	\$	<u>(807,814)</u>

### Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91 authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The City has adopted an investment policy in accordance with State law.

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2004

### Note 3 - Deposits and Investments (Continued)

The Employees' Retirement System and Postretirement Health Care Finance Fund are also authorized by Michigan Public Act 483 of 1996, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain State and local government obligations, and certain other specified investment vehicles.

To the extent that cash from various funds has been pooled, related investment income is allocated to each fund based on relative participation in the pool, except that investment earnings retained by the Agency Funds are allocated to the General Fund.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Total Primary Government	Fiduciary Funds	Component Units
Cash and cash equivalents	\$ 33,343,496	\$ 40,328,190	\$ 73,671,686	\$ 6,019,333	\$ 448,154
Investments	-	-	-	99,590,469	-
Total	<u>\$ 33,343,496</u>	<u>\$ 40,328,190</u>	<u>\$ 73,671,686</u>	<u>\$ 105,609,802</u>	<u>\$ 448,154</u>

The above amounts are classified by GASB Statement No. 3 in the following categories:

	Primary Government	Fiduciary Funds	Component Units
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 34,074,014	\$ 4,133,610	\$ 216
Investments in securities, mutual funds, and similar vehicles	29,782,650	101,476,192	447,913
Petty cash or cash on hand	7,150	-	25
Deposits held by Oakland County	<u>9,807,872</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 73,671,686</u>	<u>\$ 105,609,802</u>	<u>\$ 448,154</u>

The deposits held by Oakland County are reported within the Water and Sewer Fund and represent the City's share of cash in the County's Water and Sewer Trust Fund. The deposits are not held in the name of the City.

# City of Farmington Hills, Michigan

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## Notes to Financial Statements June 30, 2004

### Note 3 - Deposits and Investments (Continued)

#### Deposits

The above deposits were reflected in the accounts of the bank (without recognition of checks written, but not yet cleared or of deposits in transit) at the following amounts:

Primary government	\$ 37,600,946
Component units	216

Of all deposits held in the name of the City of Farmington Hills, Michigan, approximately \$1,100,000 is covered by federal depository insurance and the remainder is uninsured and uncollateralized.

The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### Investments

The City's investments are categorized below to give an indication of the level of risk assumed by the City at June 30, 2004. Risk Category I includes those investments that are held in the City's name and meet any one of the following criteria:

- a. Insured
- b. Registered
- c. Held by the City or its agent

Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the City's name. Category 3 includes investments held by:

- a. The counterparty
- b. The counterparty's trust department (or agent) but not in the City's name.

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2004

### Note 3 - Deposits and Investments (Continued)

At year end, the City's investment balances were categorized as follows:

	Category			Reported Amount (Fair Value)
	1	2	3	
Primary government - Investments not subject to categorization:				
Bank investment pools	\$ -	\$ -	\$ -	\$ 29,750,091
Interlocal agreement investment pools	-	-	-	32,559
Total primary government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,782,650</u>
Fiduciary funds:				
U.S. government securities	\$ 7,986,693	\$ -	\$ -	\$ 7,986,693
U.S. agency mortgage-backed securities	8,631,968	-	-	8,631,968
Corporate bonds and securities	10,671,988	-	-	10,671,988
Common stock	64,955,480	-	-	64,955,480
Investments not subject to categorization:				
Bank investment pools	-	-	-	6,229,644
Mutual funds	-	-	-	3,000,419
Total fiduciary funds	<u>\$ 92,246,129</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,476,192</u>
Component units - Investments not subject to categorization - Bank investment pools	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 447,913</u>

The bank investment pools, interlocal agreement investment pool, and mutual funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

The mutual funds are registered with the SEC. The bank investment pools are regulated by the Michigan Banking Act. Investments under the interlocal agreement (MBIA-CLASS) are regulated by the Urban Cooperation Act. The fair value of the position in the bank investment pools and interlocal agreement pools is the same as the value of the pool shares.

### **Note 3 - Deposits and Investments (Continued)**

Included in the fiduciary fund investments are the following:

- Approximately \$7,479,000 of collateralized mortgage obligations. These investments are usually not backed by the full faith and credit of the U.S. government, but are generally considered to offer modest credit risks. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.
- Approximately \$1,315,000 of securities issued by the Government National Mortgage Association. These investments are backed up by the full faith and credit of the U.S. government. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.
- Asset-backed securities of approximately \$3,955,000. These securities are backed by credit card or other receivables and typically include credit enhancements in the form of overcollateralization, third-party letters of credit, seller recourse, insurance company guarantees, and/or senior subordinated structures. These securities are generally considered to offer moderate credit risk, but such risk varies depending on the type of asset being securitized and the extent and nature of the credit enhancement. Prepayment of these “pay-through” securities could result in difficulty reinvesting the prepaid amounts in investments with comparable yields.

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2004

### Note 4 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance July 1, 2003	Additions	Disposals and Adjustments	Balance June 30, 2004
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 16,252,705	\$ 34,230	\$ -	\$ 16,286,935
Right-of-way	31,561,930	-	-	31,561,930
Construction in progress	2,061,537	2,105,842	36,981	4,130,398
Subtotal	49,876,172	2,140,072	36,981	51,979,263
Capital assets being depreciated:				
Drains	17,206,941	-	-	17,206,941
Sidewalks	11,266,557	24,765	-	11,291,322
Major roads	41,896,704	128,019	-	42,024,723
Local roads	68,859,703	1,260,775	-	70,120,478
Land improvements	12,386,463	2,346,405	-	14,732,868
Buildings and improvements	42,424,104	374,704	-	42,798,808
Machinery and equipment	7,051,687	478,803	35,387	7,495,103
Vehicles	10,382,459	1,141,696	1,028,026	10,496,129
Office equipment	3,207,864	207,306	96,430	3,318,740
Subtotal	214,682,482	5,962,473	1,159,843	219,485,112
Accumulated depreciation:				
Drains	3,947,234	344,139	-	4,291,373
Sidewalks	5,060,404	346,704	-	5,407,108
Major roads	20,550,377	1,432,977	-	21,983,354
Local roads	47,032,865	2,221,317	-	49,254,182
Land improvements	3,874,871	1,005,002	-	4,879,873
Buildings and improvements	9,830,978	1,647,891	-	11,478,869
Machinery and equipment	3,993,273	621,926	28,367	4,586,832
Vehicles	7,116,892	608,710	969,728	6,755,874
Office equipment	1,703,291	206,689	74,107	1,835,873
Subtotal	103,110,185	8,435,355	1,072,202	110,473,338
Net capital assets being depreciated	111,572,297	(2,472,882)	87,641	109,011,774
Net capital assets	\$ 161,448,469	\$ (332,810)	\$ 124,622	\$ 160,991,037

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2004

### Note 4 - Capital Assets (Continued)

	Balance July 1, 2003	Additions	Disposals and Adjustments	Balance June 30, 2004
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 390,000	\$ -	\$ -	\$ 390,000
Construction in progress	2,559,418	1,016,481	1,958,336	1,617,563
Subtotal	2,949,418	1,016,481	1,958,336	2,007,563
Capital assets being depreciated:				
Water distribution system	63,041,023	400,645	-	63,441,668
Sewage disposal system	87,915,610	1,827,136	-	89,742,746
County	-	970,685	-	970,685
Land improvements	587,754	-	-	587,754
Building and building improvements	4,965,664	-	-	4,965,664
Machinery and equipment	811,017	-	-	811,017
Office equipment and furniture	93,250	-	-	93,250
Subtotal	157,414,318	3,198,466	-	160,612,784
Accumulated depreciation:				
Water distribution system	26,313,528	1,415,721	-	27,729,249
Sewage disposal system	35,653,531	1,795,735	-	37,449,266
County	-	53,747	-	53,747
Land improvements	293,682	39,184	-	332,866
Building and building improvements	1,234,869	164,903	-	1,399,772
Machinery and equipment	393,421	49,335	-	442,756
Office equipment and furniture	86,322	5,319	-	91,641
Subtotal	63,975,353	3,523,944	-	67,499,297
Net capital assets being depreciated	93,438,965	(325,478)	-	93,113,487
Net capital assets	\$ 96,388,383	\$ 691,003	\$ 1,958,336	\$ 95,121,050

# City of Farmington Hills, Michigan

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## Notes to Financial Statements June 30, 2004

### Note 4 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 911,483
Public safety	1,283,496
Public works	4,504,565
Community and economic development	5,257
Recreation and culture	<u>1,730,554</u>

Total governmental activities	<u>\$ 8,435,355</u>
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Business-type activities:

Water and sewer	\$ 3,265,203
Ice arena	<u>258,741</u>

Total business-type activities	<u>\$ 3,523,944</u>
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# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2004

### Note 5 - Interfund Receivables, Payables, and Transfers

The interfund balances are comprised of the following:

Receivable Fund	Payable Fund	Amount
General Fund	Major Road Fund	\$ 165,676
	Local Road Fund	72,868
	Capital Improvement Fund	9,280
	Nonmajor governmental funds	243,302
	Special Assessment Debt Service Fund	887
	SAD Capital Projects Funds	10,678
	Water and Sewer Fund	<u>1,662</u>
	Total General Fund	504,353
Major Road Fund	Capital Improvement Fund	35
Local Road Fund	Major Road Fund	67,853
	Nonmajor governmental funds	273,092
	SAD Capital Projects Fund	106,289
	Special Assessment Debt Service Fund	<u>9,320</u>
	Total Local Road Fund	456,554
Special Assessment Debt Service Fund	Nonmajor governmental funds	1,450
Nonmajor governmental funds	General Fund	7,042
	Nonmajor governmental funds	<u>44</u>
	Total nonmajor funds	7,086
Water and Sewer Fund	General Fund	1,025
Ice Arena Fund	General Fund	<u>30,000</u>
	Total	<u>\$ 1,000,503</u>

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2004

### Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers are comprised of the following:

Fund Transferred From	Fund Transferred To	Amount	
General Fund	Capital Improvement Fund	\$ 1,050,000	(3)
Major Road Fund	Local Road Fund	405,921	(4)
	Nonmajor governmental funds	542,325	(2)
	Total Major Fund	948,246	
Capital Projects Fund	Major Road Fund	784,496	(3)
SAD Capital Projects Fund	Local Road Fund	842,381	(3)
	Special Assessments Debt Service Fund	1,045,851	(2)
	Total	1,888,232	
Nonmajor governmental funds	General Fund	834,540	(1)
	Major Road Fund	542,325	(2)(3)
	Local Road Fund	298,641	(3)
	Capital Improvement Fund	980,300	(3)
	Water and Sewer Fund	1,252,200	(3)
	Nonmajor governmental funds	1,900,449	(1)
	Total nonmajor governmental funds	5,808,455	
	Total transfers	\$ 10,479,429	

(1) Transfer of discretionary funds to be used for the benefit of the community

(2) Transfer for debt service payments

(3) Transfer for capital improvements

(4) Allowable transfer under Act 51

### Note 6 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital improvements. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual obligations are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties which benefit from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of a district) are received.

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2004

### Note 6 - Long-term Debt (Continued)

Long-term obligation activity is summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental activities:						
General obligation bonds:						
Building Authority Bonds:						
Police Station						
Amount of issue - \$2,145,000	5.15% -	\$250,000 -	\$ 515,000	\$ (250,000)	\$ 265,000	\$ 265,000
Maturing through 2005	5.30%	\$265,000				
William M. Costick Activities Center						
Amount of issue - \$4,000,000	2.00% -	\$225,000 -	850,000	(300,000)	550,000	325,000
Maturing through 2006	3.60%	\$325,000				
Fire Station #2 Renovation*						
Amount of issue - \$1,100,000	4.95% -	\$75,000 -	575,000	(575,000)	-	-
Maturing through 2009	5.00%	\$100,000				
DPW Expansion*						
Amount of issue - \$3,000,000	4.80% -	\$100,000 -	2,400,000	(2,300,000)	100,000	100,000
Maturing through 2018	5.50%	\$200,000				
District Court Building						
Amount of issue - \$11,000,000	3.75% -	\$300,000 -	10,800,000	(300,000)	10,500,000	300,000
Maturing through 2021	5.00%	\$1,000,000				
Building Authority Refunding Bonds, Series 2003						
Amount of issue - \$2,910,000	2.00%-	\$165,000-	-	2,910,000	2,910,000	145,000
Maturing through 2018	4.00%	\$275,000				
Michigan Transportation Fund Bonds						
Amount of issue - \$2,250,000	5.50% -	\$200,000	600,000	(200,000)	400,000	200,000
Maturing through 2006	6.85%					
Michigan Transportation Fund Bonds						
Amount of issue - \$3,150,000	5.10%	\$ 250,000 -	1,350,000	(250,000)	1,100,000	250,000
Maturing through 2008		\$300,000				
County contractual obligations:						
Minnow Pond Drainage District Refunding Bonds						
Amount of issue - \$6,524,348	4.10% -	\$573,676 -	5,488,814	(568,814)	4,920,000	573,676
Maturing through 2011	4.50%	\$807,036				

\* Bonds were partially or totally refunded in 2004

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2004

### Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental activities (Continued):						
County contractual obligations (Continued):						
Caddell Drain						
Amount of issue - \$2,141,142	6.70%	\$140,524	\$ 140,524	\$ (140,524)	\$ -	\$ -
Amount of issue - \$1,388,991	5.125%-	\$107,436-	1,388,991	(88,251)	1,300,740	107,436
Maturing through 2014	5.875%	\$126,620				
Pebble Creek Drainage District						
Amount of issue - \$1,508,845	5.00%-	\$158,113-	1,508,845	(158,113)	1,350,732	194,253
Maturing through 2011	6.80%	\$212,323				
Special Assessment Bonds:						
Districts 208, 210, 214, 216, 220 Public Improvements						
Amount of issue - \$540,000	5.00%	\$50,000	50,000	(50,000)	-	-
Maturing through 2004						
Districts 224, 226, 227, 230, 233, 234 Public Improvements						
Amount of issue - \$630,000	5.00% -	\$30,000 -	95,000	(30,000)	65,000	30,000
Maturing through 2006	6.60%	\$35,000				
Districts 235, 236, 237, 238, 239, 243, 240 Public Improvements						
Amount of issue - \$575,000	3.00%	\$20,000	80,000	(20,000)	60,000	20,000
Maturing through 2007						
Districts 242, 245, 248, 249, 252, 253 Public Improvements						
Amount of issue - \$1,150,000	5.70% -	\$25,000 -	150,000	(50,000)	100,000	50,000
Maturing through 2007	5.90%	\$50,000				
Districts 228, 229, 231, 254-262, 265 Public Improvements						
Amount of issue - \$1,885,000	5.25% -	\$35,000 -	585,000	(175,000)	410,000	100,000
Maturing through 2011	5.90%	\$100,000				
Districts 263, 264, 266, 267, 268, 269, 273 Public Improvements						
Amount of issue - \$915,000	4.90% -	\$15,000 -	340,000	(100,000)	240,000	75,000
Maturing through 2010	5.40%	\$75,000				
Districts 270, 271, 274, 276, 277, 278, 279, 281, 283, 284 Public Improvements						
Amount of issue - \$2,155,000	4.10% -	\$25,000 -	1,205,000	(200,000)	1,005,000	200,000
Maturing through 2013	4.60%	\$200,000				
Districts 285, 286, 287, 289, and 294 Public Improvements						
Amount of issue - \$2,860,000	3.70%-	\$75,000-	1,750,000	(275,000)	1,475,000	275,000
Maturing through 2013	3.80%	\$275,000				

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2004

### Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental activities (Continued):						
Special Assessment Bonds (Continued):						
Districts 292, 302, 303, 288, 291, 293, 295, 297, 290, 300 Public Improvements						
Amount of issue - \$1,490,000	4.45%-	\$25,000-	\$ 1,115,000	\$ (125,000)	\$ 990,000	\$ 125,000
Maturing through 2014	5.30%	\$150,000				
Public Improvement Districts 306, 307, 308, 309, 310, 311						
Amount of issue - \$1,585,000	2.15%-	\$150,000-	1,585,000	(170,000)	1,415,000	190,000
Maturing through 2012	3.25%	\$195,000				
Districts 312, 314 and 315						
Public Improvements						
Amount of issue - \$1,050,000	2.00%-	\$75,000-	-	1,050,000	1,050,000	75,000
Maturing through 2013	3.15%	\$125,000				
Total bond obligations			32,572,174	(2,365,702)	30,206,472	3,600,365
Other long-term obligations:						
Estimated general liability claims			922,000	-	922,000	-
Compensated absences			4,977,797	419,007	5,396,804	2,345,573
Total other long-term obligations			5,899,797	419,007	6,318,804	2,345,573
Total governmental activities			38,471,971	(1,946,695)	36,525,276	5,945,938
Business-type activities:						
General obligation bonds:						
1994 General obligation bonds - Ice Arena						
Amount of issue - \$6,000,000	5.50% -	\$275,000 -	575,000	(275,000)	300,000	300,000
Maturing through 2005	5.60%	\$300,000				
1998 Refunding Bonds						
Amount of issue - \$4,495,000	3.90% -	\$45,000 -	4,305,000	(45,000)	4,260,000	45,000
Maturing through 2015	4.40%	\$500,000				
Less unamortized discount and deferred amount on refunding			(373,750)	32,500	(341,250)	-
County contractual obligations - Water and Sewer:						
Water Supply System - Northwest Pressure District						
Amount of issue - \$2,180,000	4.70%	\$175,000	175,000	(175,000)	-	-
Maturing through 2004						
Evergreen-Farmington Sewage Disposal System (Interceptor)						
Amount of issue - \$4,677,000	5.00%	\$402,323 -	854,935	-	854,935	-
Maturing through 2009		\$452,612				
Evergreen-Farmington Sewage Disposal System						
Amount of issue - \$1,079,308	3.50%	\$105,684	105,684	-	105,684	-
Maturing through 2010						

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2004

### Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Business-type activities (Continued):						
County contractual obligations - Water and						
Sewer (Continued):						
Evergreen-Farmington Sewage/Farmington						
Hills - Southfield:						
Segment I Refunding Bonds						
Amount of issue - \$2,695,544	4.60% -	\$294,197 -	\$ 1,267,310	\$ (279,110)	\$ 988,200	\$ 294,197
Maturing through 2007	4.75%	\$349,516				
Evergreen-Farmington Sewage						
Disposal System (Segments I & II)						
Amount of issue - \$843,418	4.40% -	\$66,326 -	618,447	(68,119)	550,328	66,326
Maturing through 2010	4.85%	\$105,315				
Evergreen-Farmington Permanent						
Meter and Interceptor						
Rehabilitation Refunding Bonds						
Amount of issue - \$590,392	3.50% -	\$71,488 -	462,206	(65,330)	396,876	76,418
Maturing through 2009	4.00%	\$92,441				
Total business-type activities			7,989,832	(875,059)	7,114,773	781,941
Total primary government			\$ 46,461,803	\$ (2,821,754)	\$ 43,640,049	\$ 6,727,879

Annual debt service requirements to maturity for the above bond obligations, excluding \$341,250 of unamortized discounts and deferred amounts on refunding, are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 3,600,365	\$ 1,173,727	\$ 4,774,092	\$ 781,941	\$ 318,125	\$ 1,100,066
2006	3,216,328	1,038,204	4,254,532	850,829	282,400	1,133,229
2007	2,998,368	930,222	3,928,590	876,601	245,401	1,122,002
2008	2,903,525	823,914	3,727,439	951,631	207,081	1,158,712
2009	2,516,274	723,305	3,239,579	1,010,366	164,199	1,174,565
2010-2014	8,158,828	2,373,677	10,532,505	2,489,655	369,259	2,858,914
2015-2019	4,812,784	1,141,156	5,953,940	495,000	10,890	505,890
2020-2021	2,000,000	149,998	2,149,998	-	-	-
Total	\$ 30,206,472	\$ 8,354,203	\$ 38,560,675	\$ 7,456,023	\$ 1,597,355	\$ 9,053,378

# **City of Farmington Hills, Michigan**

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## **Notes to Financial Statements June 30, 2004**

### **Note 6 - Long-term Debt (Continued)**

**Current Refundings** - The City refunded bonds in the current year as follows:

During the year, the City issued general obligation bonds with an interest rate range of 2.0 percent to 4.0 percent. The proceeds were used to advance refund \$2,100,000 of DPW Expansion general obligation bonds with an interest rate range of 4.9 percent to 5.5 percent and \$575,000 of Fire Station #2 Renovation bonds with an interest rate range of 4.15 percent to 5.0 percent. The City has remaining payments of \$100,000 on the DPW Expansion bonds. The net proceeds of \$2,910,000 (after payments of \$60,465 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the DPW Expansion and Fire Station #2 Renovation general obligation bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the City's records. The advance refunding reduced total debt service payments over the next 15 years by approximately \$135,000, which represents an economic gain of approximately \$106,000.

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the general purpose financial statements. At June 30, 2004, the City's portion of bonds outstanding that are considered defeased approximates \$15,900,000.

### **Note 7 - Restricted Assets**

Restricted assets consist of funds held by Oakland County Drain Commissioner on behalf of the City to be used for construction and maintenance of storm drains, including related debt service. Net assets have been restricted at June 30, 2004 for this amount.

### Note 8 - Retirement Plan

**Plan Description** - The City of Farmington Hills Employees' Retirement System (the "Plan") is a single-employer defined benefit pension plan that is administered by the City of Farmington Hills Employees' Retirement System Pension Board. Plan benefits accrue to all general, court, police, and fire employees who qualify under the Plan. The Plan provides retirement and disability benefits to plan members and their beneficiaries. In addition to providing pension benefits, the Plan provides health care benefits (in accordance with certain union contracts) for plan members if they reach the normal retirement age while working for the City (see Note 9). The accounts of the City of Farmington Hills Employees' Retirement System are maintained on a calendar year basis. The amounts included in the combined financial statements for this fund are as of and for the year ended December 31, 2003. The Plan issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the City of Farmington Hills Employees' Retirement System at 31555 W. Eleven Mile Road, Farmington Hills, MI 48336.

**Basis of Accounting** - The Plan uses the accrual method of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefit payments and refunds are recognized when due and payable in accordance with the terms of the Plan. Administrative costs of the Plan are paid by the General Fund.

**Funding Policy** - The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units. Generally, plan members are required to contribute 4.5 percent (3.5 percent for dispatch members) of base, longevity, and holiday (for certain groups) earnings for pension benefits, plus an additional 1.5 percent for health insurance. The funding policy provides for periodic employer contributions at actuarially determined rates. Employer contributions represented approximately 10.5 percent of covered payroll as reported on December 31, 2002.



# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2004

### Note 8 - Retirement Plan (Continued)

**Annual Pension Costs** - For the year ended December 31, 2003, the City's annual pension cost of \$2,262,014 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002 using the entry actual cost method. Significant actuarial assumptions used include: (a) a 7.0 percent investment rate of return, (b) projected salary increases of 4.75 percent per year, (c) additional projected salary increases ranging from 4.75 percent to 30.75 percent per year, depending on age and employee group, attributable to seniority/merit, and (d) no cost of living adjustments. Both (a) and (b) include an inflation component of 4.75 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is over 30 years.

**Reserves** - As of December 31, 2003, the Plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 11,220,837
Reserve for retired benefit payments	16,968,434

Three-year trend information as of December 31, 2003 is as follows:

	Fiscal Year Ended December 31		
	2001	2002	2003
Annual pension costs (APC)	\$ 1,438,356	\$ 1,696,924	\$ 2,262,014
Percentage of APC contributed	100%	100%	100%
Net pension obligation	None	None	None

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2004

### Note 8 - Retirement Plan (Continued)

	Actuarial Valuation as of December 31		
	2000	2001	2002
Actuarial value of assets	\$ 73,653,706	\$ 78,892,804	\$ 80,092,122
Actuarial accrued liability (AAL)			
(entry age)	\$ 70,119,210	\$ 75,952,124	\$ 83,269,487
Unfunded AAL (UAAL)	\$ (3,534,496)	\$ (2,940,680)	\$ 3,177,365
Funded ratio (percent)	105.0%	103.9%	96.2%
Covered payroll	\$ 19,612,045	\$ 20,558,629	\$ 21,567,711
UAAL as a percentage of covered payroll	(18.0%)	(14.3%)	14.7%

### Note 9 - Postemployment Benefits

The City provides health care benefits to all full-time employees upon retirement or to individuals receiving system disability pensions, in accordance with various labor contracts. Currently, 69 individuals are eligible. The City includes pre-Medicare retirees and their dependents in its insured health care plan, which generally requires employee contributions of 1.5 percent of earnings not in excess of the employee wage base. The City purchases Medicare supplemental insurance for retirees eligible for Medicare.

Expenditures for postemployment health care benefits are funded on an actuarial basis. The City's actual and required contribution for the year ended December 31, 2003 totaled \$2,414,285. At December 31, 2002, the date of the most recent actuarial report, assets available for postemployment health care benefits totaled \$15,459,174, including amounts held by the City of Farmington Hills Employees' Retirement System and the Postretirement Health Care Finance Fund. The actuarial accrued liability, determined using the individual entry age actuarial cost method, totaled \$36,655,147 and the unfunded actuarial accrued liability totaled \$21,195,973.

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2008.

# City of Farmington Hills, Michigan

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## Notes to Financial Statements June 30, 2004

### **Note 10 - Risk Management**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City participates in the Michigan Municipal League Workers' Compensation Fund for workers' compensation claims, purchases commercial insurance for medical benefit claims, and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to general and auto liability, auto physical damage, and property loss claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority (MMRMA) risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the MMRMA that the MMRMA uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City. The City has elected to participate in the MMRMA stop-loss program, which limits the paid losses to \$853,000 for the most recent plan year.

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2004

### Note 10 - Risk Management (Continued)

The City estimates the liability for general claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported, which includes estimates of both future payments of losses and related claim adjustments expense, both allocated and unallocated. The liability is based on individual claims and management's evaluation of experience with respect to the probable number and nature of claims. Any adjustments resulting from the settlement of losses will be reflected in earnings at the time the adjustments are determined. These estimates are recorded in the General Fund and within the governmental activities column in the statement of net assets. Changes in the estimated liability for the past two fiscal years were as follows:

	2004	2003
Estimated liability - Beginning of year	\$ 996,000	\$ 739,000
Estimated claims incurred, including changes in estimates	468,017	459,964
Claim payments	(150,917)	(202,964)
Unpaid claims - End of year	<u>\$ 1,313,100</u>	<u>\$ 996,000</u>
Estimated liability for claims reported	\$ 391,100	\$ 74,000
Estimated liability for claims incurred but not reported	<u>922,000</u>	<u>922,000</u>
Total estimated liability	<u>\$ 1,313,100</u>	<u>\$ 996,000</u>

The estimated liability for claims incurred but not reported is included as a general long-term liability in the governmental activities.

### Note 11 - Joint Ventures

The City participates in the Michigan 47th District Court Administration Fund with the City of Farmington and in the Southwest Oakland Cable Commission source with the cities of Farmington and Novi. The City provides approximately 87 percent of the funding for the Michigan 47th District Court Administration Fund. The Southwest Oakland Cable Commission currently does not receive a subsidy from the City.

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2004

### Note 11 - Joint Ventures (Continued)

During the years ended June 30, 2002 and 2001, the City advanced a total of \$2,218,226 to the Southwest Oakland Cable Commission for the acquisition of equipment and improvements to a new facility to be used in its operation. As of June 30, 2004, the total receivable is \$2,026,061. The advances will be repaid to the City in annual installments of approximately \$246,000, including interest at 7 percent, through 2017. Fund balance in the General Fund has been reserved for the advance since these amounts are not available for use to finance operations as of year end.

In addition, the City is a member of the Resource Recovery and Recycling Authority of Southwest Oakland County (the "Recycling Authority"). The Recycling Authority is incorporated by the cities of Farmington, Farmington Hills, Novi, South Lyon, Southfield, Walled Lake, Wixom, and the Charter Township of Lyon. The joint venture receives its operating revenue from member contributions and miscellaneous income.

The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments of any of the above joint ventures in the near future.

Complete financial statements for the 47th District Court Administration Fund, Southwest Oakland Cable Commission, and Resource Recovery and Recycling Authority of Southwest Oakland County can be obtained from the administrative offices at 31555 Eleven Mile Road, Farmington Hills, MI 48336.

### Note 12 - Designated Fund Balance

The following is a summary of the unreserved fund balances of the major governmental funds with management's designations:

Designated for	General Fund	Major Road Fund	Local Road Fund	Capital Improvement Fund	Special Assessments Debt Service Fund	Other Nonmajor Governmental Funds
Subsequent year's expenditures	\$ -	\$ 886,205	\$ 108,821	\$ -	\$ -	\$ -
Land acquisition, capital improvements, road construction, and drains	5,049,057	2,702,070	1,542,667	1,594,421	-	-
Debt service	-	-	-	-	5,348,066	762,924
Other	1,450,000	-	-	-	-	4,730,198
Total	<u>\$ 6,499,057</u>	<u>\$ 3,588,275</u>	<u>\$ 1,651,488</u>	<u>\$ 1,594,421</u>	<u>\$ 5,348,066</u>	<u>\$ 5,493,122</u>

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2004

### Note 13 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Special assessments	\$ 3,952,506	\$ -
Long-term receivables	252,000	-
Grant payments received prior to meeting all eligibility requirements and other	<u>-</u>	<u>72,248</u>
Total	<u>\$ 4,204,506</u>	<u>\$ 72,248</u>

## **Required Supplemental Information**

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# City of Farmington Hills, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 28,909,000	\$ 29,117,900	\$ 29,462,182	\$ 344,282
Business licenses and permits	21,700	21,200	20,717	(483)
Other licenses and permits	1,062,200	989,190	1,072,047	82,857
Grants	185,000	335,895	339,179	3,284
State-shared revenues	6,998,000	6,933,000	7,047,458	114,458
Fees	3,062,000	3,232,300	3,264,656	32,356
Sales	486,000	561,958	543,261	(18,697)
Fines and forfeitures	2,075,000	2,331,000	2,406,864	75,864
Interest earnings	600,000	550,000	538,666	(11,334)
Recreation user charges	2,276,531	2,333,612	2,454,972	121,360
Total revenue	45,675,431	46,406,055	47,150,002	743,947
<b>Other Financing Sources - Transfers in</b>	854,540	834,540	834,540	-
Total revenue and other financing sources	46,529,971	47,240,595	47,984,542	743,947
<b>Expenditures</b>				
General government:				
City council	110,273	113,035	112,647	388
Public information	288,206	266,931	249,760	17,171
Boards and commissions	6,380,656	6,246,394	6,299,886	(53,492)
City administration	670,554	671,814	661,877	9,937
Finance department	2,257,917	2,336,770	2,270,785	65,985
Corporation counsel	480,093	480,093	567,214	(87,121)
Central services	854,293	852,864	773,436	79,428
City clerk	691,687	691,890	660,513	31,377
Support services	1,558,820	1,049,746	956,305	93,441
Human resources	389,679	377,784	366,105	11,679
Total general government	13,682,178	13,087,321	12,918,528	168,793
Public safety:				
Police	14,555,724	15,176,763	15,001,800	174,963
Fire	4,213,996	4,568,069	4,638,491	(70,422)
Total public safety	18,769,720	19,744,832	19,640,291	104,541
Public works:				
Administration	400,603	429,825	405,834	23,991
Road maintenance	2,047,736	2,062,105	2,001,048	61,057
Building maintenance	433,080	472,596	341,305	131,291
Engineering	1,870,904	1,899,492	1,933,022	(33,530)
Maintenance facility	1,124,024	1,175,921	1,158,626	17,295
General refuse removal	3,297,021	3,216,958	3,203,740	13,218
Public service reimbursement from road funds	(2,280,935)	(2,290,000)	(2,342,018)	52,018
Total public works	6,892,433	6,966,897	6,701,557	265,340



# City of Farmington Hills, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Expenditures (Continued)</b>				
Community and economic development	\$ 2,083,480	\$ 2,139,943	\$ 2,042,436	\$ 97,507
Parks and recreation	<u>5,431,176</u>	<u>5,648,620</u>	<u>5,586,899</u>	<u>61,721</u>
Total expenditures	46,858,987	47,587,613	46,889,711	697,902
<b>Other Uses - Transfers out</b>	<u>2,850,000</u>	<u>1,050,000</u>	<u>1,050,000</u>	<u>-</u>
Total expenditures and other uses	<u>49,708,987</u>	<u>48,637,613</u>	<u>47,939,711</u>	<u>697,902</u>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</b>	(3,179,016)	(1,397,018)	44,831	1,441,849
<b>Fund Balances - July 1, 2003</b>	<u>16,084,181</u>	<u>16,084,181</u>	<u>16,084,181</u>	<u>-</u>
<b>Fund Balances - June 30, 2004</b>	<u><b>\$ 12,905,165</b></u>	<u><b>\$ 14,687,163</b></u>	<u><b>\$ 16,129,012</b></u>	<u><b>\$ 1,441,849</b></u>

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. Comparison schedules are presented on the same basis of accounting used in preparing the adopted budget.

# City of Farmington Hills, Michigan

	Major Road Fund			
	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	5,007,200	5,022,448	4,472,011	(550,437)
Interest income	27,000	22,000	27,735	5,735
Federal revenue	-	-	496,185	496,185
Miscellaneous revenue	-	130,000	101,669	(28,331)
Total revenue	5,034,200	5,174,448	5,097,600	(76,848)
<b>Expenditures</b>				
Public works	5,890,183	7,199,546	4,574,960	2,624,586
Capital outlay	-	-	-	-
Total expenditures	5,890,183	7,199,546	4,574,960	2,624,586
<b>Excess of Revenue Over (Under)</b>				
Expenditures	(855,983)	(2,025,098)	522,640	2,547,738
<b>Other Financing Sources (Uses)</b>				
Transfers in	926,125	1,605,479	1,326,821	(278,658)
Transfers out	(909,825)	(912,325)	(948,246)	(35,921)
Total other financing sources (uses)	16,300	693,154	378,575	(314,579)
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</b>	(839,683)	(1,331,944)	901,215	2,233,159
<b>Fund Balances - July 1, 2003</b>	2,687,060	2,687,060	2,687,060	-
<b>Fund Balances - June 30, 2004</b>	<u>\$ 1,847,377</u>	<u>\$ 1,355,116</u>	<u>\$ 3,588,275</u>	<u>\$ 2,233,159</u>

**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Major Special Revenue Funds**  
**Year Ended June 30, 2004**

Local Road Fund				Capital Improvement Fund			
Original Budget	Amended Budget	Actual	Variance with Amended Budget	Original Budget	Amended Budget	Actual	Variance with Amended Budget
\$ -	\$ -	\$ -	\$ -	\$ 1,500,000	\$ 1,489,338	\$ 1,489,342	\$ 4
1,296,000	1,296,000	1,460,575	164,575	458,505	55,421	53,990	(1,431)
10,000	8,000	9,944	1,944	60,000	65,000	63,903	(1,097)
-	-	-	-	-	-	-	-
-	5,122	7,497	2,375	2,472,034	2,235,327	2,488,412	253,085
1,306,000	1,309,122	1,478,016	168,894	4,490,539	3,845,086	4,095,647	250,561
4,167,368	3,664,598	2,636,240	1,028,358	-	-	-	-
-	-	-	-	9,508,500	6,353,804	5,084,203	1,269,601
4,167,368	3,664,598	2,636,240	1,028,358	9,508,500	6,353,804	5,084,203	1,269,601
(2,861,368)	(2,355,476)	(1,158,224)	1,197,252	(5,017,961)	(2,508,718)	(988,556)	1,520,162
2,418,500	1,953,226	1,546,942	(406,284)	3,664,966	2,030,300	2,030,300	-
-	-	-	-	(383,800)	(766,989)	(784,496)	(17,507)
2,418,500	1,953,226	1,546,942	(406,284)	3,281,166	1,263,311	1,245,804	(17,507)
(442,868)	(402,250)	388,718	790,968	(1,736,795)	(1,245,407)	257,248	1,502,655
1,262,770	1,262,770	1,262,770	-	1,337,173	1,337,173	1,337,173	-
<b>\$ 819,902</b>	<b>\$ 860,520</b>	<b>\$ 1,651,488</b>	<b>\$ 790,968</b>	<b>\$ (399,622)</b>	<b>\$ 91,766</b>	<b>\$ 1,594,421</b>	<b>\$ 1,502,655</b>

## **Other Supplemental Information**

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# City of Farmington Hills, Michigan

## Special Revenue

	Public Safety	Community Development Block Grant	Revolving Special Assessment	Nutrition Grant	Local Law Block Grant	Police Forfeiture
<b>Assets</b>						
Cash and cash equivalents	\$ 151,850	\$ 30,740	\$ 4,578,018	\$ 127,164	\$ 44	\$ 122,851
Receivables - Accrued interest and other	-	-	2	5,996	-	22
Due from other funds	-	-	-	-	-	44
Total assets	<u>\$ 151,850</u>	<u>\$ 30,740</u>	<u>\$ 4,578,020</u>	<u>\$ 133,160</u>	<u>\$ 44</u>	<u>\$ 122,917</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,114
Due to other funds	151,650	-	274,542	91,652	44	-
Due to other governmental units	-	-	-	-	-	-
Deferred revenue	-	30,740	-	41,508	-	-
Total liabilities	151,650	30,740	274,542	133,160	44	17,114
<b>Fund Balances - Unreserved</b>						
Designated for subsequent years expenditures	-	-	196,925	-	-	-
Designated for capital improvements	-	-	4,106,553	-	-	-
Designated for public safety	200	-	-	-	-	105,803
Designated for debt service	-	-	-	-	-	-
Total fund balances	200	-	4,303,478	-	-	105,803
Total liabilities and fund balances	<u>\$ 151,850</u>	<u>\$ 30,740</u>	<u>\$ 4,578,020</u>	<u>\$ 133,160</u>	<u>\$ 44</u>	<u>\$ 122,917</u>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2004**

Funds				Debt Service Funds			Total Nonmajor Governmental Funds
Parks and Recreation Special Millage	Golf Course Capital Improvement	Deferred Special Assessment	Building Authority	Act 175 Debt - 1990 Issue	Act 175 Debt - 1992 Issue	General Debt Service	
\$ 190,969	\$ 125,456	\$ 46,210	\$ 264,702	\$ 30,059	\$ 37,477	\$ 451,449	\$ 6,156,989
-	-	-	16	-	-	-	6,036
-	7,042	-	-	-	-	-	7,086
<u>\$ 190,969</u>	<u>\$ 132,498</u>	<u>\$ 46,210</u>	<u>\$ 264,718</u>	<u>\$ 30,059</u>	<u>\$ 37,477</u>	<u>\$ 451,449</u>	<u>\$ 6,170,111</u>
\$ 2,489	\$ 46,471	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66,074
-	-	-	-	-	-	-	517,888
-	-	-	1,886	-	-	18,893	20,779
-	-	-	-	-	-	-	72,248
2,489	46,471	-	1,886	-	-	18,893	676,989
5,749	24,500	-	-	-	-	-	227,174
182,731	61,527	46,210	-	-	-	-	4,397,021
-	-	-	-	-	-	-	106,003
-	-	-	262,832	30,059	37,477	432,556	762,924
188,480	86,027	46,210	262,832	30,059	37,477	432,556	5,493,122
<u>\$ 190,969</u>	<u>\$ 132,498</u>	<u>\$ 46,210</u>	<u>\$ 264,718</u>	<u>\$ 30,059</u>	<u>\$ 37,477</u>	<u>\$ 451,449</u>	<u>\$ 6,170,111</u>

# City of Farmington Hills, Michigan

	Special Revenue					
	Public Safety	Community Development Block Grant	Revolving Special Assessment	Nutrition Grant	Local Law Block Grant	Police Forfeiture
<b>Revenue</b>						
Property taxes	\$ 3,728,404	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	700,635	-	194,964	30,849	47,185
State sources	-	-	-	-	-	-
Interest income	27,520	-	53,808	523	92	1,993
Other	-	191,692	-	193,403	-	94,907
<b>Total revenue</b>	<b>3,755,924</b>	<b>892,327</b>	<b>53,808</b>	<b>388,890</b>	<b>30,941</b>	<b>144,085</b>
<b>Expenditures</b>						
Current:						
Public safety	3,951,649	-	-	-	-	130,680
Recreation and culture	-	-	-	388,890	-	-
Community and economic development	-	336,478	2,370	-	-	-
Capital outlay	-	-	-	-	34,369	142,823
Debt service	-	-	-	-	-	-
<b>Total expenditures</b>	<b>3,951,649</b>	<b>336,478</b>	<b>2,370</b>	<b>388,890</b>	<b>34,369</b>	<b>273,503</b>
<b>Excess of Revenue Over (Under)</b>						
<b>Expenditures</b>	(195,725)	555,849	51,438	-	(3,428)	(129,418)
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	-	-	3,428	-
Transfers out	-	(555,849)	(273,092)	-	-	(3,428)
Proceeds from long-term debt	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(555,849)</b>	<b>(273,092)</b>	<b>-</b>	<b>3,428</b>	<b>(3,428)</b>
<b>Net Change in Fund Balances</b>	<b>(195,725)</b>	<b>-</b>	<b>(221,654)</b>	<b>-</b>	<b>-</b>	<b>(132,846)</b>
<b>Fund Balances - Beginning of year</b>	<b>195,925</b>	<b>-</b>	<b>4,525,132</b>	<b>-</b>	<b>-</b>	<b>238,649</b>
<b>Fund Balances - End of year</b>	<b>\$ 200</b>	<b>\$ -</b>	<b>\$ 4,303,478</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 105,803</b>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended June 30, 2004**

Funds				Debt Service Funds			Total Nonmajor Governmental Funds
Parks and Recreation Special Millage	Golf Course Capital Improvement	Deferred Special Assessment	Building Authority	Act 175 Debt - 1990 Issue	Act 175 Debt - 1992 Issue	General Debt Service	
\$ 1,863,368	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,038,259	\$ 8,630,031
-	-	-	-	-	-	-	973,633
50,000	-	-	-	-	-	-	50,000
28,372	1,498	326	4,614	184	233	17,323	136,486
-	31,424	-	158,271	-	-	171,106	840,803
1,941,740	32,922	326	162,885	184	233	3,226,688	10,630,953
-	-	-	-	-	-	-	4,082,329
-	-	-	-	-	-	-	388,890
-	-	120	-	-	-	-	338,968
105,520	122,504	-	528,045	-	-	-	933,261
-	-	-	1,364,322	229,861	313,485	1,274,198	3,181,866
105,520	122,504	120	1,892,367	229,861	313,485	1,274,198	8,925,314
1,836,220	(89,582)	206	(1,729,482)	(229,677)	(313,252)	1,952,490	1,705,639
-	-	-	1,574,321	229,350	312,975	322,700	2,442,774
(2,859,440)	-	-	-	-	-	(2,116,646)	(5,808,455)
-	-	-	2,910,000	-	-	-	2,910,000
-	-	-	(2,910,000)	-	-	-	(2,910,000)
(2,859,440)	-	-	1,574,321	229,350	312,975	(1,793,946)	(3,365,681)
(1,023,220)	(89,582)	206	(155,161)	(327)	(277)	158,544	(1,660,042)
1,211,700	175,609	46,004	417,993	30,386	37,754	274,012	7,153,164
<b>\$ 188,480</b>	<b>\$ 86,027</b>	<b>\$ 46,210</b>	<b>\$ 262,832</b>	<b>\$ 30,059</b>	<b>\$ 37,477</b>	<b>\$ 432,556</b>	<b>\$ 5,493,122</b>



# City of Farmington Hills, Michigan

## Other Supplemental Information Budgetary Comparison Schedule - Major Debt Service Fund Special Assessments Debt Service Fund Year Ended June 30, 2004

	Special Assessments Debt Service		
	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>			
Interest income	\$ 200,000	\$ 201,560	\$ 1,560
Special assessments	<u>1,361,982</u>	<u>871,813</u>	<u>(490,169)</u>
Total revenue	1,561,982	1,073,373	(488,609)
<b>Expenditures</b>			
General government	-	418,943	(418,943)
Capital outlay	100,000	-	100,000
Debt principal payments	1,195,000	1,102,178	92,822
Interest and fiscal charges	<u>266,982</u>	<u>238,145</u>	<u>28,837</u>
Total expenditures	<u>1,561,982</u>	<u>1,759,266</u>	<u>(197,284)</u>
<b>Excess of Expenditures Over Revenue</b>	-	(685,893)	(685,893)
<b>Other Financing Sources</b> - Transfers in	<u>-</u>	<u>1,045,851</u>	<u>1,045,851</u>
<b>Excess of Revenue and Other Financing Sources Over Expenditures</b>	-	359,958	359,958
<b>Fund Balances</b> - July 1, 2003	<u>4,988,108</u>	<u>4,988,108</u>	<u>-</u>
<b>Fund Balances</b> - June 30, 2004	<u><b>\$ 4,988,108</b></u>	<u><b>\$ 5,348,066</b></u>	<u><b>\$ 359,958</b></u>

# City of Farmington Hills, Michigan

## Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds Year Ended June 30, 2004

### **Special Revenue Fund - Public Safety**

	Amended Budget	Actual	Variance with Amended Budget
<b>Revenues</b>			
Property taxes	\$ 3,729,000	\$ 3,728,404	\$ (596)
Interest income	30,000	27,520	(2,480)
Total revenues	3,759,000	3,755,924	(3,076)
<b>Expenditures - Public safety</b>	3,954,734	3,951,649	3,085
<b>Excess of Expenditures Over Revenues</b>	(195,734)	(195,725)	9
<b>Fund Balance - July 1, 2003</b>	195,925	195,925	-
<b>Fund Balance - June 30, 2004</b>	<u>\$ 191</u>	<u>\$ 200</u>	<u>\$ 9</u>

### **Special Revenue Fund - Community Development Block Grant**

	Amended Budget	Actual	Variance with Amended Budget
<b>Revenues</b>			
Federal sources	\$ 750,848	\$ 700,635	\$ (50,213)
Miscellaneous revenue	140,000	191,692	51,692
Total revenues	890,848	892,327	1,479
<b>Expenditures - Community development and other</b>	335,000	336,478	(1,478)
<b>Excess of Revenues Over Expenditures</b>	555,848	555,849	1
<b>Other Financing Uses - Transfers out</b>	(555,848)	(555,849)	(1)
<b>Excess of Revenues Over Expenditures and Other Uses</b>	-	-	-
<b>Fund Balance - July 1, 2003</b>	-	-	-
<b>Fund Balance - June 30, 2004</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# City of Farmington Hills, Michigan

## Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2004

### **Special Revenue Fund - Revolving Special Assessment**

	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b> - Interest income	\$ 58,000	\$ 53,808	\$ (4,192)
<b>Expenditures</b> - Community development and other	75,920	2,370	73,550
<b>Excess of Revenue Over (Under) Expenditures</b>	(17,920)	51,438	69,358
<b>Other Uses</b> - Transfers out	(287,524)	(273,092)	14,432
<b>Excess of Expenditures and Other Uses Over Revenue</b>	(305,444)	(221,654)	83,790
<b>Fund Balances</b> - July 1, 2003	4,525,132	4,525,132	-
<b>Fund Balances</b> - June 30, 2004	<u>\$ 4,219,688</u>	<u>\$ 4,303,478</u>	<u>\$ 83,790</u>

### **Special Revenue Fund - Nutrition Grant**

	Amended Budget	Actual	Variance with Amended Budget
<b>Revenues</b>			
Federal sources	\$ 281,951	\$ 194,964	\$ (86,987)
Miscellaneous revenue	125,315	193,403	68,088
Interest income	600	523	(77)
Total revenues	407,866	388,890	(18,976)
<b>Expenditures</b> - Recreation and culture	407,866	388,890	18,976
<b>Excess of Revenues Over Expenditures</b>	-	-	-
<b>Fund Balance</b> - July 1, 2003	-	-	-
<b>Fund Balance</b> - June 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# City of Farmington Hills, Michigan

## Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2004

### Special Revenue Fund - Local Law Block Grant

	Amended Budget	Actual	Variance with Amended Budget
<b>Revenues</b>			
Federal sources	\$ 30,849	\$ 30,849	\$ -
Interest income	3	92	89
Total revenues	30,852	30,941	89
<b>Expenditures - Public safety</b>	34,280	34,369	(89)
<b>Excess of Expenditures Over Revenues</b>	(3,428)	(3,428)	-
<b>Other Financing Sources - Operating transfers in</b>	3,428	3,428	-
<b>Excess of Revenues and Other Financing Sources Over Expenditures</b>	-	-	-
<b>Fund Balance - July 1, 2003</b>	-	-	-
<b>Fund Balance - June 30, 2004</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

### Special Revenue Fund - Police Forfeiture

	Amended Budget	Actual	Variance with Amended Budget
<b>Revenues</b>			
Federal sources	\$ 20,000	\$ 47,185	\$ 27,185
Miscellaneous revenue	108,848	94,907	(13,941)
Interest income	1,500	1,993	493
Total revenues	130,348	144,085	13,737
<b>Expenditures</b>			
Public safety	145,859	130,680	15,179
Capital outlay	135,490	142,823	(7,333)
Total expenditures	281,349	273,503	7,846
<b>Excess of Expenditures Over Revenues</b>	(151,001)	(129,418)	21,583
<b>Other Uses - Transfers out</b>	(3,428)	(3,428)	-
<b>Excess of Expenditures and Other Uses Over Revenues</b>	(154,429)	(132,846)	21,583
<b>Fund Balances - July 1, 2003</b>	238,649	238,649	-
<b>Fund Balances - June 30, 2004</b>	<u>\$ 84,220</u>	<u>\$ 105,803</u>	<u>\$ 21,583</u>

# City of Farmington Hills, Michigan

## Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2004

### **Special Revenue Fund - Parks and Recreation Special Millage**

	Amended Budget	Actual	Variance with Amended Budget
<b>Revenues</b>			
Property taxes	\$ 1,863,367	\$ 1,863,368	\$ 1
State sources	50,000	50,000	-
Interest income	20,000	28,372	8,372
Total revenues	1,933,367	1,941,740	8,373
<b>Expenditures - Capital outlay</b>	135,870	105,520	30,350
<b>Excess of Revenue Over Expenditures</b>	1,797,497	1,836,220	38,723
<b>Other Financing Uses - Transfer out</b>	(2,859,440)	(2,859,440)	-
<b>Excess of Expenditures and Other Uses Over Revenues</b>	(1,061,943)	(1,023,220)	38,723
<b>Fund Balances - July 1, 2003</b>	1,211,700	1,211,700	-
<b>Fund Balances - June 30, 2004</b>	<u>\$ 149,757</u>	<u>\$ 188,480</u>	<u>\$ 38,723</u>

# City of Farmington Hills, Michigan

## Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2004

### **Special Revenue Fund - Golf Course Capital Improvement**

	Amended Budget	Actual	Variance with Amended Budget
<b>Revenues</b>			
Miscellaneous revenue	\$ 48,000	\$ 31,424	\$ (16,576)
Interest income	1,470	1,498	28
Total revenues	49,470	32,922	(16,548)
<b>Expenditures</b>			
Capital outlay	162,760	122,504	40,256
Recreation and culture	-	-	-
Total expenditures	162,760	122,504	40,256
<b>Excess of Expenditures Over Revenues</b>	(113,290)	(89,582)	23,708
<b>Fund Balances - July 1, 2003</b>	175,609	175,609	-
<b>Fund Balances - June 30, 2004</b>	<u><u>\$ 62,319</u></u>	<u><u>\$ 86,027</u></u>	<u><u>\$ 23,708</u></u>

### **Special Revenue Fund - Deferred Special Assessment**

	Amended Budget	Actual	Variance with Amended Budget
<b>Revenues - Interest income</b>	\$ 300	\$ 326	\$ 26
<b>Expenditures - Community and economic development</b>	120	120	-
<b>Excess of Revenues Over Expenditures</b>	180	206	26
<b>Fund Balances - July 1, 2003</b>	46,004	46,004	-
<b>Fund Balances - June 30, 2004</b>	<u><u>\$ 46,184</u></u>	<u><u>\$ 46,210</u></u>	<u><u>\$ 26</u></u>

# City of Farmington Hills, Michigan

## Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2004

### Debt Service Fund - Building Authority

	Amended Budget	Actual	Variance with Amended Budget
<b>Revenues</b>			
Interest income	\$ 7,000	\$ 4,614	\$ (2,386)
Contributions from other governments	<u>158,271</u>	<u>158,271</u>	<u>-</u>
Total revenues	165,271	162,885	(2,386)
<b>Expenditures</b>			
Capital outlay	350,870	528,045	(177,175)
Debt principal payments	984,470	3,684,470	(2,700,000)
Interest and fiscal charges	<u>588,372</u>	<u>589,852</u>	<u>(1,480)</u>
Total expenditures	<u>1,923,712</u>	<u>4,802,367</u>	<u>(2,878,655)</u>
<b>Excess of Expenditures Over Revenues</b>	(1,758,441)	(4,639,482)	(2,881,041)
<b>Other Financing Sources</b>			
Proceeds from debt	-	2,910,000	2,910,000
Other financing sources - Operating transfers in	<u>1,572,842</u>	<u>1,574,321</u>	<u>1,479</u>
Total other financing sources	<u>1,572,842</u>	<u>4,484,321</u>	<u>2,911,479</u>
<b>Excess of Expenditures Over Revenues and Other Financing Sources</b>	(185,599)	(155,161)	30,438
<b>Fund Balances - July 1, 2003</b>	<u>417,993</u>	<u>417,993</u>	<u>-</u>
<b>Fund Balances - June 30, 2004</b>	<u><u>\$ 232,394</u></u>	<u><u>\$ 262,832</u></u>	<u><u>\$ 30,438</u></u>

# City of Farmington Hills, Michigan

## Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2004

### **Debt Service Fund - Act 175 Debt 1990 Issue**

	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b> - Interest income	\$ 250	\$ 184	\$ (66)
<b>Expenditures</b>			
Debt principal payments	200,000	200,000	-
Interest and fiscal charges	29,350	29,351	(1)
Miscellaneous	510	510	-
Total expenditures	229,860	229,861	(1)
<b>Excess of Expenditures Over Revenues</b>	(229,610)	(229,677)	(67)
<b>Other Financing Sources</b> - Transfers in	229,350	229,350	-
<b>Excess of Expenditures Over Revenues and Other Financing Sources</b>	(260)	(327)	(67)
<b>Fund Balance</b> - July 1, 2003	30,386	30,386	-
<b>Fund Balance</b> - June 30, 2004	<u>\$ 30,126</u>	<u>\$ 30,059</u>	<u>\$ (67)</u>

### **Debt Service Fund - Act 175 Debt 1992 Issue**

	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b> - Interest income	\$ 270	\$ 233	\$ (37)
<b>Expenditures</b>			
Debt principal payments	250,000	250,000	-
Interest and fiscal charges	62,975	62,975	-
Miscellaneous	510	510	-
Total expenditures	313,485	313,485	-
<b>Excess of Expenditures Over Revenues</b>	(313,215)	(313,252)	(37)
<b>Other Financing Sources</b> - Transfers in	312,975	312,975	-
<b>Excess of Expenditures Over Revenues and Other Financing Sources</b>	(240)	(277)	(37)
<b>Fund Balance</b> - July 1, 2003	37,754	37,754	-
<b>Fund Balance</b> - June 30, 2004	<u>\$ 37,514</u>	<u>\$ 37,477</u>	<u>\$ (37)</u>



# City of Farmington Hills, Michigan

## Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2004

### Debt Service Fund - General Debt Service

	Amended Budget	Actual	Variance with Amended Budget
<b>Revenues</b>			
Property taxes	\$ 3,038,259	\$ 3,038,259	\$ -
Interest	20,000	17,323	(2,677)
Other	165,000	171,106	6,106
Total revenues	3,223,259	3,226,688	3,429
<b>Expenditures</b>			
Debt principal payments	955,702	955,701	1
Interest and fiscal charges	425,970	318,497	107,473
Total expenditures	1,381,672	1,274,198	107,474
<b>Excess of Revenue Over Expenditures</b>	1,841,587	1,952,490	110,903
<b>Other Financing Sources (Uses)</b>			
Transfers in	322,700	322,700	-
Transfers out	(2,115,167)	(2,116,646)	(1,479)
Total other financing sources (uses)	(1,792,467)	(1,793,946)	(1,479)
<b>Excess of Revenue and Other Financing Sources Over Expenditures and Other Uses</b>	49,120	158,544	109,424
<b>Fund Balance - July 1, 2003</b>	274,012	274,012	-
<b>Fund Balance - June 30, 2004</b>	<u>\$ 323,132</u>	<u>\$ 432,556</u>	<u>\$ 109,424</u>

# City of Farmington Hills, Michigan

## Other Supplemental Information Combining Statement of Net Assets Fiduciary Funds

	Pension and Other Employee Benefit Trust Funds - December 31, 2003			Agency Funds - June 30, 2004		
	Employees' Retirement System	Post- retirement Healthcare Finance Fund	Totals	Tax Collections	General Agency	Total
<b>Assets</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 74,457	\$ 5,944,876	\$ 6,019,333
Investments:						
Pooled funds	4,005,788	338,133	4,343,921	-	-	-
Mutual funds	-	3,000,419	3,000,419	-	-	-
U.S. government securities	7,986,693	-	7,986,693	-	-	-
U.S. mortgage-backed securities	8,631,968	-	8,631,968	-	-	-
Corporate bonds and securities	10,671,988	-	10,671,988	-	-	-
Common stocks	60,620,080	4,335,400	64,955,480	-	-	-
Due from others	2,191	730	2,921	-	3,317	3,317
Accrued interest and dividends receivable	319,485	3,279	322,764	-	-	-
<b>Total assets</b>	<b>92,238,193</b>	<b>7,677,961</b>	<b>99,916,154</b>	<b>\$ 74,457</b>	<b>\$ 5,948,193</b>	<b>\$ 6,022,650</b>
<b>Liabilities</b>						
Performance bonds and deposits	-	-	-	\$ -	\$ 4,711,825	\$ 4,711,825
Due to other governmental units	6,565	-	6,565	74,457	1,236,368	1,310,825
<b>Total liabilities</b>	<b>6,565</b>	<b>-</b>	<b>6,565</b>	<b>\$ 74,457</b>	<b>\$ 5,948,193</b>	<b>\$ 6,022,650</b>
<b>Net Assets</b> - Held in trust for pension and other employee benefits	<b>\$ 92,231,628</b>	<b>\$ 7,677,961</b>	<b>\$ 99,909,589</b>			

# City of Farmington Hills, Michigan

## Other Supplemental Information Combining Statement of Changes in Net Assets Fiduciary Funds Year Ended December 31, 2003

	Employees' Retirement System	Post- retirement Health Care Finance Fund	Total
<b>Additions</b>			
Investment income:			
Interest and dividends	\$ 2,181,399	\$ 37,994	\$ 2,219,393
Net increase in fair value of investments	<u>11,405,553</u>	<u>665,408</u>	<u>12,070,961</u>
Net investment income	13,586,952	703,402	14,290,354
Contributions:			
Employer	2,262,014	2,414,285	4,676,299
Employee	<u>979,994</u>	<u>329,122</u>	<u>1,309,116</u>
Total contributions	3,242,008	2,743,407	5,985,415
<b>Deductions</b>			
Pension insurance premium payments	2,432,025	-	2,432,025
Contributions returned to employees	<u>446,316</u>	<u>-</u>	<u>446,316</u>
Total deductions	<u>2,878,341</u>	<u>-</u>	<u>2,878,341</u>
<b>Net Increase in Plan Net Assets</b>	13,950,619	3,446,809	17,397,428
<b>Net Assets Held in Trust for Pension and Other Employee Benefits</b>			
Beginning of year	<u>78,281,009</u>	<u>4,231,152</u>	<u>82,512,161</u>
End of year	<u>\$ 92,231,628</u>	<u>\$ 7,677,961</u>	<u>\$ 99,909,589</u>

# City of Farmington Hills, Michigan

## Other Supplemental Information Combining Statement of Changes in Assets and Liabilities Agency Funds June 30, 2004

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
<b><u>Tax Collections</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 261,973	\$ 157,748,605	\$ 157,936,121	\$ 74,457
Due from others	98	-	98	-
Total assets	<b><u>\$ 262,071</u></b>	<b><u>\$ 157,748,605</u></b>	<b><u>\$ 157,936,219</u></b>	<b><u>\$ 74,457</u></b>
<b>Liabilities</b>				
Tax collections distributable	\$ -	\$ 157,674,148	\$ 157,674,148	\$ -
Due to other governmental units	262,071	74,457	262,071	74,457
Total liabilities	<b><u>\$ 262,071</u></b>	<b><u>\$ 157,748,605</u></b>	<b><u>\$ 157,936,219</u></b>	<b><u>\$ 74,457</u></b>
<b><u>General Agency</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 6,495,039	\$ 3,845,790	\$ 4,395,953	\$ 5,944,876
Due from others	3,379	3,317	3,379	3,317
Total assets	<b><u>\$ 6,498,418</u></b>	<b><u>\$ 3,849,107</u></b>	<b><u>\$ 4,399,332</u></b>	<b><u>\$ 5,948,193</u></b>
<b>Liabilities</b>				
Performance bonds and deposits	\$ 5,202,165	\$ 1,367,635	\$ 1,857,975	\$ 4,711,825
Due to other governmental units	1,296,253	2,481,472	2,541,357	1,236,368
Total liabilities	<b><u>\$ 6,498,418</u></b>	<b><u>\$ 3,849,107</u></b>	<b><u>\$ 4,399,332</u></b>	<b><u>\$ 5,948,193</u></b>

# City of Farmington Hills, Michigan

## Schedule of Indebtedness June 30, 2004

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30	
				2004	2003
<b>Governmental Activities</b>					
General obligation debt:					
Police Station					
Date of issue - May 1, 1993					
Amount of issue - \$2,145,000					
	5.150	11/01/03	\$ 250,000	\$ -	\$ 250,000
	5.300	11/01/04	265,000	265,000	265,000
		Total		<u>\$ 265,000</u>	<u>\$ 515,000</u>
William M. Costick Activities Center					
Date of issue - February 1, 1994					
Amount of issue - \$4,000,000					
	4.000	11/01/03	\$ 300,000	\$ -	\$ 300,000
	3.600	11/01/04	325,000	325,000	325,000
	2.000	11/01/05	225,000	225,000	225,000
		Total		<u>\$ 550,000</u>	<u>\$ 850,000</u>
Fire Station #2 Renovation					
Date of issue - December 1, 1993					
Amount of issue - \$1,100,000					
	4.850	10/01/03	\$ 75,000	\$ -	\$ 75,000
	4.950	10/01/04	100,000	*	100,000
	5.000	10/01/05-08	100,000	*	400,000
		Total		<u>\$ -</u>	<u>\$ 575,000</u>

\*Bonds totaling \$575,000 were refunded in 2004.

# City of Farmington Hills, Michigan

## Schedule of Indebtedness (Continued) June 30, 2004

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30	
				2004	2003
<b>Governmental Activities</b> (Continued)					
General obligation debt:					
DPW Expansion					
Date of issue - April 1, 1996					
Amount of issue - \$3,000,000					
	4.800	11/01/03	\$ 100,000	\$ -	\$ 100,000
	4.900	11/01/04	100,000	100,000	100,000
	5.000	11/01/05-06	125,000	*	250,000
	5.100	11/01/07*	150,000	*	150,000
	5.250	11/01/08*	150,000	*	150,000
	5.400	11/01/09*	150,000	*	150,000
	5.500	11/01/10*	150,000	*	150,000
	5.500	11/01/11-12*	175,000	*	350,000
	5.250	11/01/13-17*	200,000	*	1,000,000
		Total		\$ 100,000	\$ 2,400,000

\* Bonds totaling \$2,300,000 were refunded in 2004.

# City of Farmington Hills, Michigan

## Schedule of Indebtedness (Continued) June 30, 2004

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30	
				2004	2003
<b>Governmental Activities (Continued)</b>					
General obligation debt:					
Building Authority Bonds, District Court Building					
Date of issue - September, 2001					
Amount of issue - \$11,000,000					
	3.000	09/01/03	\$ 300,000	\$ -	\$ 300,000
	3.375	09/01/04	300,000	300,000	300,000
	3.875	09/01/05	300,000	300,000	300,000
	4.000	09/01/06	400,000	400,000	400,000
	4.150	09/01/07	400,000	400,000	400,000
	4.200	09/01/08	400,000	400,000	400,000
	4.250	09/01/09	500,000	500,000	500,000
	4.375	09/01/10	500,000	500,000	500,000
	4.200	09/01/11	500,000	500,000	500,000
	4.300	09/01/12	600,000	600,000	600,000
	4.400	09/01/13	700,000	700,000	700,000
	4.500	09/01/14	700,000	700,000	700,000
	4.600	09/01/15	700,000	700,000	700,000
	4.700	09/01/16	800,000	800,000	800,000
	4.750	09/01/17	800,000	800,000	800,000
	4.800	09/01/18	900,000	900,000	900,000
	5.000	09/01/19	1,000,000	1,000,000	1,000,000
	5.000	09/01/20	1,000,000	1,000,000	1,000,000
		Total		<b>\$ 10,500,000</b>	<b>\$ 10,800,000</b>

# City of Farmington Hills, Michigan

## Schedule of Indebtedness (Continued) June 30, 2004

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30	
				2004	2003
<b>Governmental Activities</b> (Continued)					
General obligation debt:					
State of Michigan Highway Loan Program					
Michigan Transportation Fund Bonds					
Date of issue - August 1, 1990					
Amount of issue - \$2,250,000					
	6.850	10/01/03	\$ 200,000	\$ -	\$ 200,000
	5.500	10/01/04-05	200,000	<u>400,000</u>	<u>400,000</u>
		Total		<u><b>\$ 400,000</b></u>	<u><b>\$ 600,000</b></u>
Michigan Transportation Fund Bonds					
Date of issue - August 18, 1992					
Amount of issue - \$3,150,000					
	5.100	10/01/03-05	\$ 250,000	\$ 500,000	\$ 750,000
	5.100	10/01/06-07	300,000	<u>600,000</u>	<u>600,000</u>
		Total		<u><b>\$ 1,100,000</b></u>	<u><b>\$ 1,350,000</b></u>



# City of Farmington Hills, Michigan

## Schedule of Indebtedness (Continued) June 30, 2004

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30	
				2004	2003
<b>Governmental Activities (Continued)</b>					
General obligation debt:					
Building Authority Refunding Bonds					
Date of issue - October 22, 2003					
Amount of issue - \$2,910,000					
	2.000	11/01/04	\$ 145,000	\$ 145,000	\$ -
	2.000	11/01/05	265,000	265,000	-
	2.000	11/01/06	260,000	260,000	-
	2.250	11/01/07	275,000	275,000	-
	2.500	11/01/08	265,000	265,000	-
	2.625	11/01/09	175,000	175,000	-
	3.000	11/01/10	165,000	165,000	-
	3.300	11/01/11	185,000	185,000	-
	3.500	11/01/12	180,000	180,000	-
	3.600	11/01/13	205,000	205,000	-
	3.800	11/01/14	200,000	200,000	-
	3.800	11/01/15	200,000	200,000	-
	4.000	11/01/16	195,000	195,000	-
	4.000	11/01/17	195,000	195,000	-
		Total		\$ 2,910,000	\$ -

# City of Farmington Hills, Michigan

## Schedule of Indebtedness (Continued) June 30, 2004

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30	
				2004	2003
<b>Governmental Activities (Continued)</b>					
General obligation debt:					
Minnow Pond Drainage District Refunding Bonds					
Date of issue - November 1, 2001					
Amount of issue - \$6,524,348					
	4.100	05/01/04	\$ 568,814	\$ -	\$ 568,814
	4.100	05/01/05	573,676	573,676	573,676
	4.125	05/01/06	573,676	573,676	573,676
	4.125	05/01/07	666,047	666,047	666,047
	4.250	05/01/08	758,419	758,419	758,419
	4.250	05/01/09	753,557	753,557	753,557
	4.500	05/01/10	787,589	787,589	787,589
	4.500	05/01/11	807,036	807,036	807,036
		Total		<u>\$ 4,920,000</u>	<u>\$ 5,488,814</u>
County contractual obligations:					
Caddell Drain					
Date of issue - March 1, 1991					
Amount of issue - \$2,141,142					
	6.700	11/01/03	\$ 140,524	\$ -	\$ 140,524

# City of Farmington Hills, Michigan

## Schedule of Indebtedness (Continued)

June 30, 2004

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30	
				2004	2003
<b>Governmental Activities (Continued)</b>					
County contractual obligations:					
Caddell Drain Refunding Bonds					
Date of issue - May 2003					
Amount of issue - \$1,388,991					
	5.125	11/01/03	\$ 88,251	\$ -	\$ 88,251
	5.125	11/01/04	107,436	107,436	107,436
	5.250	11/01/05	107,436	107,436	107,436
	5.500	11/01/06	126,621	126,621	126,621
	5.500	11/01/07	122,784	122,784	122,784
	5.750	11/01/08	118,947	118,947	118,947
	5.875	11/01/09	118,947	118,947	118,947
	5.875	11/01/10	115,110	115,110	115,110
	5.875	11/01/11	111,273	111,273	111,273
	5.875	11/01/12	126,621	126,621	126,621
	5.875	11/01/13	122,784	122,784	122,784
	5.875	11/01/14	122,781	122,781	122,781
		Total		<u>\$ 1,300,740</u>	<u>\$ 1,388,991</u>
Pebble Creek Drainage District Refunding Bonds					
Date of issue - May 2003					
Amount of issue - \$1,508,845					
	6.400	11/01/04	\$ 158,113	\$ -	\$ 158,113
	6.500	11/01/05	194,253	194,253	194,253
	6.600	11/01/06	185,218	185,218	185,218
	6.700	11/01/07	180,700	180,700	180,700
	6.800	11/01/08	212,323	212,323	212,323
	5.500	11/01/09	198,770	198,770	198,770
	5.000	11/01/10	194,253	194,253	194,253
	5.000	11/01/11	185,215	185,215	185,215
		Total		<u>\$ 1,350,732</u>	<u>\$ 1,508,845</u>

# City of Farmington Hills, Michigan

## Schedule of Indebtedness (Continued) June 30, 2004

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30	
				2004	2003
<b>Governmental Activities (Continued)</b>					
Special assessment bonds:					
General long-term obligations:					
Districts 208, 210, 214, 216, and 220 Public Improvements					
Date of issue - February 1, 1989					
Amount of issue - \$540,000					
	5.000	10/01/03*	\$ 50,000	<u>\$ -</u>	<u>\$ 50,000</u>
* Subject to redemption prior to maturity					
Districts 224, 226, 227, 230, 233, and 234 Public Improvements					
Date of issue - December 1, 1990					
Amount of issue - \$630,000					
	6.600	10/01/03	\$ 30,000	\$ -	\$ 30,000
	5.000	10/01/04	30,000	30,000	30,000
	5.000	10/01/05	35,000	<u>35,000</u>	<u>35,000</u>
		Total		<u>\$ 65,000</u>	<u>\$ 95,000</u>
Districts 235, 236, 237, 238, and 239 Public Improvements					
Date of issue - April 1, 1992					
Amount of issue - \$575,000					
	3.000	10/01/03-06	\$ 20,000	<u>\$ 60,000</u>	<u>\$ 80,000</u>
Districts 242, 245, 248, 249, 252, and 253 Public Improvements					
Date of issue - December 1, 1992					
Amount of issue - \$1,150,000					
	5.500	10/01/03	\$ 50,000	\$ -	\$ 50,000
	5.700	10/01/04	50,000	50,000	50,000
	5.800	10/01/05	25,000	25,000	25,000
	5.900	10/01/06	25,000	<u>25,000</u>	<u>25,000</u>
		Total		<u>\$ 100,000</u>	<u>\$ 150,000</u>

# City of Farmington Hills, Michigan

## Schedule of Indebtedness (Continued) June 30, 2004

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30	
				2004	2003
<b>Governmental Activities</b> (Continued)					
Special assessment bonds:					
General long-term obligations:					
Districts 228, 229, 231, 254-262, and 265 Public Improvements					
Date of issue - August 1, 1994					
Amount of issue - \$1,885,000					
	5.150	10/01/03	\$ 175,000	\$ -	\$ 175,000
	5.250	10/01/04	100,000	100,000	100,000
	5.400	10/01/05	75,000	75,000	75,000
	5.500	10/01/06	50,000	50,000	50,000
	5.600	10/01/07	50,000	50,000	50,000
	5.700	10/01/08	50,000	50,000	50,000
	5.800	10/01/09	50,000	50,000	50,000
	5.900	10/01/10	35,000	35,000	35,000
		Total		<b>\$ 410,000</b>	<b>\$ 585,000</b>

Districts 246, 250, 263, 264, 266, 267, 268, 269, and 273 Public Improvements

Date of issue - April 1, 1996

Amount of issue - \$915,000

	4.800	10/01/03	\$ 100,000	\$ -	\$ 100,000
	4.900	10/01/04	75,000	75,000	75,000
	5.000	10/01/05	50,000	50,000	50,000
	5.100	10/01/06	50,000	50,000	50,000
	5.200	10/01/07	25,000	25,000	25,000
	5.300	10/01/08	25,000	25,000	25,000
	5.400	10/01/09	15,000	15,000	15,000
		Total		<u>\$ 240,000</u>	<u>\$ 340,000</u>

# City of Farmington Hills, Michigan

## Schedule of Indebtedness (Continued) June 30, 2004

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30	
				2004	2003
<b>Governmental Activities</b> (Continued)					
Special assessment bonds:					
General long-term obligations:					
Districts 270, 271, 274, 276, 277, 278, 279, 281, 283, and 284 Public Improvements					
Date of issue - November 1, 1997					
Amount of issue - \$2,155,000					
	4.100	10/01/03	\$ 200,000	\$ -	\$ 200,000
	4.100	10/01/04	200,000	200,000	200,000
	4.100	10/01/05	200,000	200,000	200,000
	4.100	10/01/06	200,000	200,000	200,000
	4.100	10/01/07	150,000	150,000	150,000
	4.250	10/01/08	100,000	100,000	100,000
	4.350	10/01/09	55,000	55,000	55,000
	4.400	10/01/10	50,000	50,000	50,000
	4.500	10/01/11	25,000	25,000	25,000
	4.600	10/01/12	25,000	25,000	25,000
		Total		<u>\$ 1,005,000</u>	<u>\$ 1,205,000</u>
Districts 285, 286, 287, 289, and 294 Public Improvements					
Date of issue - September 1, 1998					
Amount of issue - \$2,860,000					
	3.700	04/01/04	\$ 275,000	\$ -	\$ 275,000
	3.750	04/01/05	275,000	275,000	275,000
	3.750	04/01/06	250,000	250,000	250,000
	3.750	04/01/07	250,000	250,000	250,000
	3.750	04/01/08	200,000	200,000	200,000
	3.750	04/01/09	200,000	200,000	200,000
	3.800	04/01/10	75,000	75,000	75,000
	3.800	04/01/11	75,000	75,000	75,000
	3.800	04/01/12	75,000	75,000	75,000
	3.800	04/01/13	75,000	75,000	75,000
		Total		<u>\$ 1,475,000</u>	<u>\$ 1,750,000</u>

# City of Farmington Hills, Michigan

## Schedule of Indebtedness (Continued) June 30, 2004

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30	
				2004	2003
<b>Governmental Activities</b> (Continued)					
Special assessment bonds:					
General long-term obligations:					
Districts 292, 302, 303, 288, 291, 293, 295, 297, 290 and 300 Public Improvements					
Date of issue - September 1, 1999					
Amount of issue - \$1,490,000					
	4.400	10/01/03	\$ 125,000	\$ -	\$ 125,000
	4.450	10/01/04	125,000	125,000	125,000
	4.550	10/01/05	140,000	140,000	140,000
	4.600	10/01/06	150,000	150,000	150,000
	4.750	10/01/07	100,000	100,000	100,000
	4.850	10/01/08	100,000	100,000	100,000
	5.000	10/01/09	100,000	100,000	100,000
	5.100	10/01/10	100,000	100,000	100,000
	5.200	10/01/11	75,000	75,000	75,000
	5.250	10/01/12	75,000	75,000	75,000
	5.300	10/01/13	25,000	25,000	25,000
		Total		\$ 990,000	\$ 1,115,000

Districts 306, 307, 308, 309, 310, 311 Public Improvements

Date of issue - March 4, 2003

Amount of issue - \$1,585,000

	2.000	10/01/03	\$ 170,000	\$ -	\$ 170,000
	2.000	10/01/04	190,000	190,000	190,000
	2.150	10/01/05	190,000	190,000	190,000
	2.250	10/01/06	195,000	195,000	195,000
	2.500	10/01/07	185,000	185,000	185,000
	2.750	10/01/08	180,000	180,000	180,000
	3.000	10/01/09	165,000	165,000	165,000
	3.050	10/01/10	160,000	160,000	160,000
	3.250	10/01/11	150,000	150,000	150,000
		Total		<u>\$ 1,415,000</u>	<u>\$ 1,585,000</u>

# City of Farmington Hills, Michigan

## Schedule of Indebtedness (Continued) June 30, 2004

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30	
				2004	2003
<b>Governmental Activities</b> (Continued)					
Special assessment bonds:					
General long-term obligations:					
Districts 312, 314, and 315 Public Improvements					
Date of issue - December 1, 2003					
Amount of issue - \$1,050,000					
	2.000	10/01/04	\$ 75,000	\$ 75,000	\$ -
	2.00-3.15%	10/1/05-11	125,000	875,000	-
	0.034	10/01/12	100,000	100,000	-
		Total		<u>\$ 1,050,000</u>	<u>\$ -</u>
		Total governmental activity bond obligations		<u>\$ 30,206,472</u>	<u>\$ 32,572,174</u>
<b>Business-type Activities</b>					
General obligation debt:					
1994 general obligation bonds - Ice Arena					
Date of issue - March 1, 1995					
Amount of issue - \$6,000,000					
	5.500	10/01/03	\$ 275,000	\$ -	\$ 275,000
	5.600	10/01/04	300,000	300,000	300,000
	5.700	10/01/05	300,000	*	*
	5.800	10/01/06	325,000	*	*
	5.900	10/01/07	325,000	*	*
	5.950	10/01/08	325,000	*	*
	6.000	10/01/09	400,000	*	*
	6.100	10/01/10	400,000	*	*
	6.100	10/01/11	450,000	*	*
	6.125	10/01/12	450,000	*	*
	6.125	10/01/13-14	500,000	*	*
		Total		<u>\$ 300,000</u>	<u>\$ 575,000</u>

\* Bonds totaling \$3,950,000 were refunded in 1999.



# City of Farmington Hills, Michigan

## Schedule of Indebtedness (Continued) June 30, 2004

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30	
				2004	2003
<b>Business-type Activities</b> (Continued)					
General obligation debt:					
1998 Refunding Bonds - Ice Arena					
Date of issue - December 3, 1998					
Amount of issue - \$4,495,000					
	3.800	10/01/03	\$ 45,000	\$ -	\$ 45,000
	3.900	10/01/04	45,000	45,000	45,000
	3.950	10/01/05	345,000	345,000	345,000
	4.000	10/01/06	370,000	370,000	370,000
	4.000	10/01/07	365,000	365,000	365,000
	4.100	10/01/08	360,000	360,000	360,000
	4.150	10/01/09	430,000	430,000	430,000
	4.200	10/01/10	425,000	425,000	425,000
	4.250	10/01/11	465,000	465,000	465,000
	4.350	10/01/12	460,000	460,000	460,000
	4.400	10/01/13	500,000	500,000	500,000
	4.400	10/01/14	495,000	495,000	495,000
				4,260,000	4,305,000
Less unamortized discount on issuance and deferred charges				(341,250)	(373,750)
Total				<u>\$ 3,918,750</u>	<u>\$ 3,931,250</u>
County contractual obligations - Water and sewer:					
Water Supply System - Northwest Pressure District					
Date of issue - September 1, 1993					
Amount of issue - \$2,180,000					
	4.700	05/01/04	\$ 175,000	<u>\$ -</u>	<u>\$ 175,000</u>
Evergreen-Farmington Sewage Disposal System (Interceptor)					
Date of issue - August 1, 1989					
Amount of issue - \$4,677,000					
	5.000	05/01/08	\$ 402,323	\$ 402,323	\$ 402,323
	5.000	05/01/09	452,612	452,612	452,612
Total				<u>\$ 854,935</u>	<u>\$ 854,935</u>

# City of Farmington Hills, Michigan

## Schedule of Indebtedness (Continued) June 30, 2004

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30	
				2004	2003
<b>Business-type Activities</b> (Continued)					
General obligation debt:					
Evergreen-Farmington Sewage Disposal System					
Date of issue - November 1, 1991					
Amount of issue - \$1,079,308					
	3.500	05/01/10	\$ 105,684	<u>\$ 105,684</u>	<u>\$ 105,684</u>
Evergreen-Farmington Sewage Farmington Hills - Southfield					
Segment I Refunding Bonds, Series 1997					
Date of issue - February 5, 1997					
Amount of issue - \$2,695,544					
	4.500	05/01/04	\$ 279,110	\$ -	\$ 279,110
	4.600	05/01/05	294,197	294,197	294,197
	4.700	05/01/06	344,187	344,487	344,487
	4.750	05/01/07	349,516	<u>349,516</u>	<u>349,516</u>
	Total			<u>\$ 988,200</u>	<u>\$ 1,267,310</u>
Evergreen-Farmington Sewage Disposal System (Segments I & II)					
Date of issue - September 1, 1999					
Amount of issue - \$843,418					
	4.300	11/01/03	\$ 68,119	\$ -	\$ 68,119
	4.400	11/01/04	66,326	66,326	66,326
	4.500	11/01/05	87,389	87,389	87,389
	4.600	11/01/06	85,597	85,597	85,597
	4.650	11/01/07	101,730	101,730	101,730
	4.750	11/01/08	105,315	105,315	105,315
	4.850	11/01/09	103,971	<u>103,971</u>	<u>103,971</u>
	Total			<u>\$ 550,328</u>	<u>\$ 618,447</u>

# City of Farmington Hills, Michigan

## Schedule of Indebtedness (Continued) June 30, 2004

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30	
				2004	2003
<b>Business-type Activities</b> (Continued)					
General obligation debt:					
Evergreen-Farmington Permanent Meter & Interceptor Rehabilitation Refunding Bonds					
Date of issue - November 1, 2001					
Amount of issue - \$590,392					
	3.300	05/01/04	\$ 65,325	\$ -	\$ 65,325
	3.500	05/01/05	76,418	76,418	76,418
	3.600	05/01/06	73,953	73,953	73,953
	3.750	05/01/07	71,488	71,488	71,488
	3.900	05/01/08	82,581	82,581	82,581
	4.000	05/01/09	92,441	92,436	92,441
		Total		<u>\$ 396,876</u>	<u>\$ 462,206</u>
		Total business-type activities		<u>\$ 7,114,773</u>	<u>\$ 7,989,832</u>

## **Statistical Section**

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# City of Farmington Hills, Michigan

## Revenues

Fiscal Year Ended June 30	Property Taxes (1)	Federal Grants	State Sources	Water Systems (2)	Charges for Services	Tap-in Fees (2)
1995	\$ 23,821,444	\$ 748,421	\$ 9,292,514	\$ 2,176,198	\$ 5,349,901	\$ 1,419,471
1996	24,623,258	1,529,606	9,812,671	2,814,906	5,615,466	1,125,997
1997	28,483,200	935,564	10,401,464	2,177,654	5,030,906	1,027,780
1998	29,703,263	662,742	11,823,287	1,269,465	6,397,054	1,480,779
1999	31,487,090	1,127,869	11,717,919	3,615,060	7,221,332	1,734,434
2000	32,771,453	830,527	13,358,069	1,540,212	6,094,800	664,112
2001	34,198,849	741,673	13,941,350	719,373	6,626,030	1,044,636
2002	35,798,125	1,168,058	14,267,451	750,774	7,490,817	991,187
2003	38,112,953	758,164	15,544,463	-	8,240,186	-
2004	39,581,555	1,527,819	13,365,212	-	6,930,483	-

## Expenditures

Fiscal Year Ended June 30	General Government	Public Safety	Public Services (3)	Highways and Streets (4)	Public Works	Recreation and Culture
1995	\$ 8,511,238	\$ 12,925,346	\$ 8,094,933	\$ 5,877,527	\$ -	\$ -
1996	9,295,668	14,010,839	8,622,649	6,453,247	-	-
1997	9,701,117	14,941,909	8,971,457	5,040,667	-	-
1998	10,465,447	16,319,507	9,432,717	5,880,370	-	-
1999	11,470,314	17,325,222	9,458,932	6,611,884	-	-
2000	11,148,450	19,047,839	10,170,181	6,301,125	-	-
2001	11,651,062	19,935,804	11,861,140	6,264,490	-	-
2002	12,422,185	21,480,500	13,145,615	7,874,020	-	-
2003	12,937,292	23,192,361	-	-	13,892,526	5,855,834
2004	13,408,345	23,722,620	-	-	13,912,758	5,975,789

(1) Includes penalty and interest on late payment of taxes

(2) Beginning in 2003, water systems and tap-in fees revenue sources are now reported in the Water and Sewer Enterprise Fund. Change made as a result of the implementation of GASB Statement No. 34.

(3) Beginning in 2003, public services expenditures reported as public works and recreation and culture. Change made as a result of the implementation of GASB Statement No. 34.

(4) Beginning in 2003, highways and streets expenditures reported as public works. Change made as a result of the implementation of GASB Statement No. 34.

**General Revenues by Source and Expenditures by Function  
General, Special Revenue, Debt Service, and Capital Projects Funds  
Last Ten Fiscal Years**

Interest Income	Fines and Forfeitures	Other	Total Revenues by Source
\$ 3,189,758	\$ 1,817,248	\$ 1,219,797	\$ 49,034,752
3,535,423	1,911,716	1,947,434	52,916,477
3,888,916	1,886,217	1,529,493	55,361,194
3,993,313	2,092,790	1,610,943	59,033,636
4,055,599	2,096,252	1,960,825	65,016,380
4,851,178	2,297,572	2,171,412	64,579,335
5,568,544	2,093,481	2,408,698	67,342,634
2,638,159	2,226,312	2,125,297	67,456,180
1,383,409	2,087,250	1,378,793	67,505,218
999,237	2,406,863	5,500,658	70,311,827

Community and Economic Development	Capital Outlay	Debt Service	Total Expenditures by Function
\$ 1,598,630	\$ 5,231,643	\$ 6,998,489	\$ 49,237,806
1,983,187	5,038,355	6,446,354	51,850,299
2,046,767	6,920,294	6,944,417	54,566,628
2,165,878	10,082,095	5,572,933	59,918,947
2,560,646	4,231,730	7,071,760	58,730,488
6,349,168	3,813,633	6,451,084	63,281,480
982,594	5,630,709	5,593,173	61,918,972
793,490	12,020,235	5,309,774	73,045,819
2,251,107	15,985,143	4,806,913	78,921,176
2,381,404	6,026,481	4,634,384	70,061,781

# City of Farmington Hills, Michigan

## Property Tax Levies and Collections Last Ten Fiscal Years

Fiscal Year Ended June 30	Tax Levy (1)	Current Collections	Percent of Levy Collected	Delinquent Collections	Total Tax Collections	Percent of Total Collections to Tax Levy
1995	\$ 23,644,019	\$ 23,125,945	97.81	\$ 47,420	\$ 23,173,365	98.01
1996	24,676,056	24,123,926	97.76	63,376	24,187,302	98.02
1997	28,591,841	28,113,056	98.33	48,895	28,161,951	98.50
1998	29,725,050	29,163,223	98.11	41,522	29,204,745	98.25
1999	31,195,930	30,632,027	98.19	59,106	30,691,133	98.38
2000	32,658,075	32,112,752	98.33	11,511	32,124,263	98.37
2001	33,894,509	33,300,139	98.25	8,984	33,309,123	98.27
2002	35,771,438	35,031,887	97.93	16,431	35,048,318	97.98
2003	37,737,279	36,903,184	97.79	18,324	36,921,508	97.83
2004	39,101,846	38,244,628	97.81	21,482	38,266,110	97.86

(1) Does not include penalty and interest on late payment of taxes

# City of Farmington Hills, Michigan

## Property Tax Levies Last Ten Fiscal Years

Fiscal Year Ended June 30	City Tax (1)	School Tax (2)	County Tax	Community College Tax (3)	Intermediate School Tax	State Education Tax	Library	O.C.P.T.A.	Total
1995	\$ 23,644,019	\$ 40,959,149	\$ 12,798,587	\$ 2,274,878	\$ 5,507,945	\$ 15,519,709	\$ -	\$ -	\$ 100,704,287
1996	24,676,056	42,383,884	13,195,904	4,420,461	5,678,933	16,001,501	-	880,083	107,236,822
1997	28,591,841	40,290,720	13,518,601	4,486,262	5,937,511	16,730,942	-	920,202	110,476,079
1998	29,725,050	48,796,641	14,089,057	4,846,677	6,226,908	17,545,528	-	965,004	122,194,865
1999	31,195,930	50,244,128	14,290,283	5,066,620	6,508,640	18,413,731	1,841,373	1,012,755	128,573,460
2000	32,658,075	51,812,776	14,946,424	5,252,856	6,746,226	19,276,777	1,922,709	1,050,436	133,666,279
2001	33,894,509	52,165,252	15,497,846	5,389,911	6,919,566	20,006,880	1,986,535	1,078,889	136,939,388
2002	35,771,438	54,241,172	16,341,889	5,633,444	12,149,972	21,114,474	2,087,870	1,128,569	148,468,828
2003	37,737,279	55,815,450	17,175,057	5,958,330	12,634,592	22,150,407	2,173,324	2,215,041	155,859,480
2004	39,101,846	56,533,365	17,785,705	6,133,325	13,002,031	19,126,131	2,243,729	2,285,039	156,211,171

(1) Does not include penalty or interest on late payment of taxes

(2) Includes the Clarenceville, Farmington, and Walled Lake School Districts

(3) Represents taxes levied for Oakland Community College and Schoolcraft College



# City of Farmington Hills, Michigan

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## Computation of Legal Debt Margin June 30, 2004

### Debt Limit

2003 State equalized valuation		\$ 4,486,258,920
Debt limit (10 percent of State equalized valuation) (1)	x	<u>10.00</u>

Total debt limit 448,625,892

### Debt Applicable to Debt Limit

Total bonded debt	\$ 37,321,245
Less deductions allowed by law:	
Special Assessment Bonds	6,810,000
Michigan Transportation Bonds	<u>1,500,000</u>

Total amount of debt applicable to debt limit 29,011,245

**Legal Debt Margin** \$ 419,614,647

(1) Debt limit set forth in Section 4a, Act 279 of 1909 and Act 202, P.A. 1943 as amended by Act 42 P.A. 1960

# City of Farmington Hills, Michigan

## Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures Last Ten Fiscal Years

Fiscal Year Ended June 30	Debt Service Requirements			Total General Expenditures (1)	Ratio of Debt Service to General Expenditures (Percent)
	Principal	Interest	Total		
1995	\$ 4,347,317	\$ 2,651,172	\$ 6,998,489	\$ 49,237,806	14.21
1996	3,884,706	2,561,648	6,446,354	51,850,299	12.43
1997	4,531,262	2,413,155	6,944,417	54,566,628	12.73
1998	3,435,641	2,137,292	5,572,933	59,918,947	9.30
1999	4,931,758	2,140,002	7,071,760	58,730,488	12.04
2000	4,539,197	1,911,887	6,451,084	63,281,480	10.19
2001	3,848,329	1,744,844	5,593,173	61,918,972	9.03
2002	3,717,261	1,592,513	5,309,774	73,045,819	7.27
2003	3,293,056	1,513,857	4,806,913	78,921,176	6.09
2004	3,542,313	1,092,071	4,634,384	70,061,781	6.61

(1) Includes General, Special Revenue, Debt Service, and Capital Projects Funds

# City of Farmington Hills, Michigan

## Assessed and Estimated Actual Valuation of Taxable Property Last Ten Fiscal Years

Fiscal Year Ended June 30	Real Property Assessed Value	Personal Property Assessed Value	Total Assessed Value	Percent of Market Value (1)
1995 (2)	\$ 2,381,060,700	\$ 212,542,450	\$ 2,593,603,150	50
1996	2,451,887,950	227,770,900	2,679,658,850	50
1997	2,548,527,140	240,658,350	2,789,185,490	50
1998	2,675,076,610	250,772,650	2,925,849,260	50
1999	2,800,209,780	273,613,900	3,073,823,680	50
2000	2,918,655,750	298,238,050	3,216,893,800	50
2001	3,052,782,880	283,929,650	3,336,712,530	50
2002	3,217,293,440	296,210,250	3,513,503,690	50
2003	3,395,494,430	299,294,170	3,694,788,600	50
2004	3,529,708,090	300,524,080	3,830,232,170	50

- (1) In accordance with the 1970 State of Michigan Constitution, the assessed value is calculated at 50 percent of true cash value.
- (2) In accordance with Proposal A, beginning in 1995, ad valorem taxes are based on taxable value, as opposed to State equalized value, and increases are capped at inflation or 5 percent, whichever is lower subject to revaluation at the time of sale of the property.

# City of Farmington Hills, Michigan

	Fiscal Year				
	1995	1996	1997	1998	1999
<b>City of Farmington Hills</b>					
Operating	7.0564	7.1654	7.2193	7.2193	7.2193
Drains and capital	0.4799	0.3954	0.3764	0.5377	0.5769
Debt service	1.1046	1.1042	1.0693	0.9080	0.8688
Parks	0.5000	0.5000	0.5000	0.5000	0.5000
Public safety	-	-	1.00	1.0000	1.0000
<b>Total City of Farmington Hills</b>	<b>9.1409</b>	<b>9.1650</b>	<b>10.1650</b>	<b>10.1650</b>	<b>10.1650</b>
<b>Overlapping Governments</b>					
Farmington Schools	14.6400	14.6400	13.6292	14.8931	14.4761
Clarenceville Schools	1.2578	3.7078	3.6710	3.5511	3.5279
Walled Lake Schools	6.3106	6.4316	7.5472	8.4399	8.1074
State Education	6.0000	6.0000	6.0000	6.0000	6.0000
Oakland Community College	0.8522	1.6522	1.6522	1.6522	1.6456
Schoolcraft College	1.8751	1.8521	1.8521	1.8521	1.8521
Oakland Intermediate Schools	2.1294	2.1294	2.1294	2.1294	2.1208
Oakland County	4.9480	4.9480	4.8480	4.8180	4.6564
OCPTA	-	0.3300	0.3300	0.3300	0.3300
Library	-	-	-	-	0.6000
<b>Total Farmington Schools</b>	<b><u>38.0131</u></b>	<b><u>41.6911</u></b>	<b><u>41.6591</u></b>	<b><u>43.6658</u></b>	<b><u>43.3163</u></b>
<b>Total Clarenceville Schools</b>	<b><u>25.3512</u></b>	<b><u>28.1323</u></b>	<b><u>28.9955</u></b>	<b><u>28.8456</u></b>	<b><u>29.2522</u></b>
<b>Total Walled Lake Schools</b>	<b><u>29.3811</u></b>	<b><u>30.6562</u></b>	<b><u>32.6718</u></b>	<b><u>33.5345</u></b>	<b><u>33.6252</u></b>

**Property Tax Rates  
Direct and Overlapping Governments  
Last Ten Fiscal Years  
(Per \$1,000 of assessed valuation)**

Ended June 30

2000	2001	2002	2003	2004
7.2193	7.2193	7.2193	7.2193	7.5705
0.6665	0.6777	0.7190	0.7192	0.3916
0.7830	0.7785	0.7432	0.8117	0.7932
0.4987	0.4964	0.4944	0.4905	0.4888
0.9975	0.9930	0.9891	0.9814	0.9780
10.1650	10.1649	10.1650	10.2221	10.2221
14.0071	13.2614	12.8633	12.4459	11.8783
4.6825	4.7395	4.5920	4.7551	4.7114
7.8520	8.0982	7.9538	7.7428	7.5248
6.0000	6.0000	6.0000	6.0000	5.0000
1.6295	1.6109	1.5952	1.6090	1.5983
1.8440	1.8310	1.8193	1.8043	1.8024
2.0998	2.0752	3.4526	3.4224	3.3991
4.6522	4.6478	4.6438	4.6523	4.6497
0.3270	0.3236	0.3207	0.6000	0.5974
0.5985	0.5958	0.5933	0.5887	0.5866
<b><u>43.6926</u></b>	<b><u>43.1834</u></b>	<b><u>43.8340</u></b>	<b><u>43.6205</u></b>	<b><u>41.7480</u></b>
<b><u>30.3690</u></b>	<b><u>30.3778</u></b>	<b><u>31.5867</u></b>	<b><u>32.0449</u></b>	<b><u>30.9687</u></b>
<b><u>33.3240</u></b>	<b><u>33.5164</u></b>	<b><u>34.9485</u></b>	<b><u>34.5673</u></b>	<b><u>32.5780</u></b>

# City of Farmington Hills, Michigan

## Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita Last Ten Fiscal Years

Fiscal Year Ended June 30	Assessed Value (SEV)	Estimated Population	General Bonded Debt Outstanding	Obligation Debt to Assessed Value (Percent)	General Obligation Debt per Capita
1995	\$ 2,593,603,150	79,001	\$ 7,114,000	0.27	90.05
1996	2,692,534,300	80,303	10,695,000	0.40	133.18
1997	2,830,376,740	80,500	8,990,000	0.32	111.68
1998	2,996,801,200	81,130	8,225,000	0.27	101.38
1999	3,217,279,700	82,000	7,675,000	0.24	93.60
2000	3,456,406,270	82,111	6,320,000	0.18	76.97
2001	3,643,862,530	82,111	5,680,000	0.16	69.17
2002	3,930,171,490	83,500	16,030,000	0.41	191.98
2003	4,258,718,000	82,274	15,140,000	0.36	184.02
2004	4,486,258,920	81,058	14,325,000	0.32	176.73

General bonded debt - For the purpose of this schedule, general bonded debt includes only Building Authority Bonds. The debt service requirements of all remaining debt are currently funded through revenue sources other than property taxes.

# City of Farmington Hills, Michigan

## Computation of Direct and Overlapping Debt June 30, 2004

Jurisdiction	Net General Bonded Debt Outstanding	Percent Applicable to Farmington Hills Taxpayers	Amount Applicable to Farmington Hills Taxpayers
Direct debt - City of Farmington Hills	\$ 29,011,245	100.00	\$ 29,011,245
Overlapping debt:			
Farmington School District	63,300,000	87.7	55,514,100
Clarenceville School District	1,245,000	29.4	366,030
Walled Lake School District	199,370,000	4.16	8,293,792
Oakland County at Large	73,460,291	7.2	5,289,141
Oakland County Intermediate School District	8,275,000	7.23	598,282
Oakland Community College	12,325,000	7.07	871,378
Farmington Hills Library	9,340,000	91.28	8,525,552
Total overlapping debt	367,315,291		79,458,275
Total	<u>\$ 396,326,536</u>		<u>\$ 108,469,520</u>

General bonded debt - For the purpose of this schedule, general bonded debt is defined as all bonded debt with the exception of Special Assessment and Michigan Transportation Bonds.

Source: Municipal Advisory Council of Michigan

# City of Farmington Hills, Michigan

## Labor Agreements June 30, 2004

Name of Bargaining Unit	Composition	Contract Expiration Date	Number of Employees
International Union of the American Federation of State, County, and Municipal Employees and Council 25 Local 1456	Office/Clerical Service/Maintenance DPW/Technical	06/30/05	101
Teamsters, State, County, and Municipal Workers, Local 214	First line supervisors Professionals	06/30/07	38
Local 2659, IAFF (AFL-CIO) CLC	Fire fighters, fire marshall, lieutenants, and battalion chiefs	06/30/06	37
Police Officers Association of Michigan	Police officers	06/30/05	83
Police Officers Association of Michigan Police Communications Association	Police dispatchers and dispatch coordinators	06/30/06	17
Farmington Hills Lieutenants and Sergeants Association	Police sergeants and lieutenants	06/30/06	22



# City of Farmington Hills, Michigan

## Personnel Summary June 30, 2004

	FY 2003-04		
	Part-time		
	Full-time	FTE*	Total
City administration	6	-	6.00
Public information	3	0.50	3.50
Finance department	14	1.60	15.60
Assessing	9	0.04	9.04
City clerk	9	0.80	9.80
Human resources	4	0.25	4.25
Central services	8	0.50	8.50
Police department	170	10.62	180.62
Fire department	44	36.95	80.95
Planning and community development	25	1.50	26.50
Public services - Administration	5	-	5.00
Road maintenance	23	5.25	28.25
Building maintenance	3	-	3.00
Engineering	20	1.79	21.79
D.P.W. garage	11	0.50	11.50
Waste collection/Recycling	-	1.00	1.00
Special services administration	9	1.60	10.60
Youth and families division	1	5.70	6.70
Senior adults	5	10.91	15.91
Parks division	13	14.17	27.17
Cultural arts	1	1.75	2.75
Golf course division	2	5.77	7.77
Ice arena	4	12.61	16.61
William M. Costick Activities Center	5	2.35	7.35
<b>Total</b>	<b>394</b>	<b>116.16</b>	<b>510.16</b>
Sworn police officers included in the above total	118	-	118.00

\* FTE (full-time equivalent) represents part-time employee hours divided by 2,080.

# City of Farmington Hills, Michigan

## Demographic Statistics June 30, 2004

Year	Population (1)	Number of Households (1)	Persons per Household (1)	School Enrollment (2)	Annual Average Unemployment Rate (Percent) (3)
1995	79,001	31,267	2.53	11,623	2.5
1996	80,303	31,847	2.52	11,728	2.3
1997	80,684	32,112	2.48	11,711	1.9
1998	81,291	32,423	4.48	11,976	1.7
1999	81,620	32,588	2.48	11,970	1.7
2000	82,111	33,559	2.41	11,982	1.5
2001	81,970	33,656	2.41	11,912	2.6
2002	83,500	33,714	2.39	12,016	3.7
2003	82,274	33,854	2.39	12,000	3.7
2004	81,058	33,615	2.37	12,096	3.4

(1) Statistics from the U.S. Bureau of the Census, the Southeastern Michigan Coalition of Governments, (SEMCOG) and/or the Farmington Hills Planning Department

(2) Farmington School District - Fall pupil count (K-12)

(3) Michigan Employment Security Agency - Research and Statistical Division (based on a year)

# City of Farmington Hills, Michigan

## Demand and Savings Deposits Last Ten Fiscal Years

Deposits - In Thousands (1)						
Year	Michigan				Standard	Total
	National Bank (2)	Comerica Bank	Metro Bank	Bank One	Federal (2)	
1995	\$ 182,577	\$ 466,543	\$ 48,136	\$ 278,185	\$ 202,764	\$ 1,178,205
1996	189,020	465,697	50,453	276,910	213,320	1,195,400
1997	173,267	530,278	50,033	253,662	211,766	1,219,006
1998	184,219	475,978	50,816	244,548	235,227	1,190,788
1999	175,889	531,818	52,810	303,583	219,874	1,283,974
2000	185,182	484,882	63,408	244,987	220,469	1,198,928
2001	185,314	445,425	64,220	221,054	214,483	1,130,496
2002	-	443,265	66,207	219,497	390,832	1,119,801
2003	-	469,483	85,073	330,568	312,270	1,197,394
2004	-	527,118	77,596	329,700	390,970	1,325,384

(1) Bank deposits were provided by Sushenoff Market Share Analysis.

(2) Michigan National Bank and Standard Federal Bank merged in 2001.

# City of Farmington Hills, Michigan

## Building Permits at Market Value Last Ten Years

Year	Residential		Commercial		Industrial		Grand Total
	Number	Estimated Value	Number	Estimated Value	Number	Estimated Value	
1995	1,057	\$ 46,692,101	187	\$ 40,118,767	3	\$ 2,287,764	\$ 89,098,632
1996	1,266	53,342,239	212	37,959,976	6	657,437	91,959,652
1997	1,356	55,046,017	188	45,235,665	10	993,930	101,275,612
1998	1,749	56,192,004	192	77,971,287	8	4,715,938	138,879,229
1999	1,561	40,248,220	250	22,175,303	6	2,099,877	64,523,400
2000	1,718	35,539,593	181	56,900,811	8	3,642,731	96,083,135
2001	1,511	37,411,474	154	49,806,359	3	142,995	87,360,828
2002	1,608	22,828,697	166	65,354,129	3	7,559,855	95,742,681
2003	1623	32,317,320	147	34,201,729	1	2,500,000	69,019,049
2004	(1)						

(1) Information for 2004 was not available at the time of printing.

# City of Farmington Hills, Michigan

## Principal Taxpayers Year Ended June 30, 2004

Name of Taxpayer	Product/Service	Real Taxable Value	Personal Taxable Valuation	Total Taxable Valuation	Percent of Total City Valuation
Oakland Management Co.	Property management	\$ 70,439,170	\$ 71,970	\$ 70,511,140	1.77
FH Corporate Investors	Property management	49,580,110	-	49,580,110	1.25
Robert Bosch Corporation	Automotive research and development	18,133,430	24,683,130	42,816,560	1.08
Detroit Edison	Public utility	604,960	39,900,890	40,505,850	1.02
Nissan Corporation	Automotive research and development	19,849,500	8,970,770	28,820,270	0.73
Chrysler Financial Co.	Financial	12,528,340	9,384,660	21,913,000	0.55
Arboretum Development	Office complex	21,353,420	-	21,353,420	0.54
Liberty Property Ltd. Partnership	Industrial property management	19,804,500	9,170	19,813,670	0.50
Sherr Development Corp.	Property management	18,498,510	41,540	18,540,050	0.47
Independence Green Apts.	Apartment complex	17,402,670	-	17,402,670	0.44
Total		<u>\$ 248,194,610</u>	<u>\$ 83,062,130</u>	<u>\$ 331,256,740</u>	<u>8.35</u>

# City of Farmington Hills, Michigan

## Special Assessment Billings and Collections Last Ten Fiscal Years

Fiscal Year Ended June 30	Beginning Outstanding Assessments	New Assessments	Total Assessments	Assessments Collected	Percent of Collections to Total	Ending Outstanding Assessments
1995	\$ 4,495,085	\$ 1,427,314	\$ 5,922,399	\$ 1,184,433	20.00	\$ 4,737,966
1996	4,737,966	390,500	5,128,466	1,401,238	27.32	3,727,228
1997	3,727,228	1,991,979	5,719,207	878,242	15.36	4,840,965
1998	4,840,965	3,151,451	7,992,416	1,496,254	18.72	6,496,162
1999	6,496,162	1,810,009	8,306,171	2,003,930	24.13	6,302,241
2000	6,302,241	88,686	6,390,927	1,337,678	20.93	5,053,249
2001	5,053,249	1,258,830	6,312,079	1,044,919	16.55	5,267,160
2002	5,267,160	961,261	6,228,421	1,350,505	21.68	4,877,916
2003	4,877,916	742,930	5,620,846	1,405,077	25.00	4,215,769
2004	4,215,769	1,373,843	5,589,612	1,637,106	29.29	3,952,506

# City of Farmington Hills, Michigan

## General Fund - Fund Balance Compared to Annual Expenditures Last Ten Fiscal Years

Fiscal Year Ended June 30	Reserved Fund Balance	Unreserved Fund Balance	Annual Expenditures	Unreserved Fund Balance as a Percentage of Expenditures
1995	\$ 450,000	\$ 5,601,589	\$ 29,531,517	18.97
1996	414,000	5,290,855	31,929,156	16.57
1997	595,000	5,469,283	32,771,309	16.69
1998	349,500	7,406,808	34,801,058	21.28
1999	371,000	9,980,466	36,062,157	27.68
2000	418,416	12,778,817	37,509,648	34.07
2001	1,107,396	16,334,333	39,735,483	41.11
2002	2,797,226	16,004,928	43,102,638	37.13
2003	2,455,421	13,628,760	48,993,689	27.82
2004	2,261,661	13,867,351	47,939,711	28.92

# City of Farmington Hills, Michigan

## Miscellaneous Statistical Data June 30, 2004

### Public Works

Miles of city streets:	
Major streets	58
Local streets	243
Number of refuse stops	22,745

### Police Protection

Group A crimes (1)	4,435
Group B crimes (2)	2,714
Burglary:	
Residential	229
Commercial	126
Physical arrest:	
Juvenile	168
Adult	3,062
Traffic crashes	3,548
Traffic violations	19,901
Dispatched runs	38,428

### Fire Protection

Stations	5
Number of incidents	6,487
Emergency medical incidents	3,762
Fire inspections conducted	585
Public education programs	451
Fire loss	5,735,652

### 47th District Court

Cases filed	33,699
Cases disposed	37,412

### Parks and Recreation

Developed municipal parks	8
Park acreage	619
Golf rounds played	38,646
Senior adult programs:	
Senior program participation	91,658
Senior meals served	76,222
Transportation rides provided	30,422
Recreation programs:	
Recreation programs offered	2,008
Volunteer hours	2,250
Program registration processed	20,952

### Community Library

Items checked out	1,215,000
Internet logins	800,000
Library card holders	70,000
Total book collection	240,000
Children program attendance	22,000
Young adult program attendance	5,500
Adult program attendance	2,750

### Planning and Development

Building permits issued	1,700
Certificates of occupancy	1,700
Building inspections	6,700

### Election Data

New voter registrations	9,500
Voters at last presidential election	53,684

- (1) Murder, criminal sexual conduct, robbery, aggravated assault, burglary, larceny, arson, and motor vehicle theft
- (2) Malicious destruction of property, disorderly conduct, assault, family trouble, etc.
- (3) Statistics provided by various departments and divisions of the City.



# **City of Farmington Hills, Michigan**

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**Federal Awards  
Supplemental Information  
June 30, 2004**

# City of Farmington Hills, Michigan

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**Plante & Moran, PLLC**  
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## Independent Auditor's Report

To the Honorable Mayor and  
Members of City Council  
City of Farmington Hills, Michigan

We have audited the basic financial statements of the City of Farmington Hills, Michigan for the year ended June 30, 2004 and have issued our report thereon dated October 29, 2004. Those basic financial statements are the responsibility of the management of the City of Farmington Hills, Michigan. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the City of Farmington Hills, Michigan taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

October 29, 2004

A member of



A worldwide association of independent accounting firms



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## Report Letter on Compliance with Laws and Regulations and Internal Control - Basic Financial Statements

To the Honorable Mayor and  
Members of City Council  
City of Farmington Hills, Michigan

We have audited the financial statements of the City of Farmington Hills, Michigan as of and for the year ended June 30, 2004 and have issued our report thereon dated October 29, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether the City of Farmington Hills, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Farmington Hills, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

To the Honorable Mayor and  
Members of City Council  
City of Farmington Hills, Michigan

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

October 29, 2004

## Report Letter on Compliance with Laws and Regulations and Internal Control - Major Federal Awards

To the Honorable Mayor and  
Members of City Council  
City of Farmington Hills, Michigan

### Compliance

We have audited the compliance of the City of Farmington Hills, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2004. The major federal program of the City of Farmington Hills, Michigan is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City of Farmington Hills, Michigan's management. Our responsibility is to express an opinion on the City of Farmington Hills, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Farmington Hills, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Farmington Hills, Michigan's compliance with those requirements.

In our opinion, the City of Farmington Hills, Michigan complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

To the Honorable Mayor and  
Members of City Council  
City of Farmington Hills, Michigan

### **Internal Control Over Compliance**

The management of the City of Farmington Hills, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Farmington Hills, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

October 29, 2004

# City of Farmington Hills, Michigan

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2004

Federal Pass-through Grantor/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
U.S. Department of Housing and Urban Development -				
Direct programs - Community Development Block Grant:	14.218			
Program year 2001 - B-01-MC-26-0032			\$ 425,000	\$ 157,678
Program year 2002 - B-02-MC-26-0032			417,000	337,000
Program year 2003 - B-03-MC-26-0032			482,000	<u>205,957</u>
Total U.S. Department of Housing and Urban Development				700,635
Federal Emergency Management Agency - Passed through the State of Michigan - State and Local Assistance	83.552		56,901	56,901
U.S. Department of Health and Human Services - Passed through Area Agency on Aging:	93.045			
Nutrition services		03-9018-03	221,254	62,621
Nutrition services		04-9018-03	90,147	<u>79,175</u>
Total U.S. Department of Health and Human Services				141,796
U.S. Department of Agriculture - Passed through the Area Agency on Aging:	10.570			
Nutrition services		03-9018-03	52,891	15,083
Nutrition services		04-9018-03	40,840	<u>38,085</u>
Total U.S. Department of Agriculture				53,168
U.S. Department of Justice - Direct programs:				
Federal Equitable Sharing Program	16.unknown		47,185	47,185
Bulletproof Vest Partnership	16.607		1,100	1,100
Local Law Enforcement Block Grant - 2003-LB-BX-0848	16.592		30,849	<u>30,849</u>
Total U.S. Department of Justice				79,134
U.S. Department of Transportation - Passed through Michigan Department of Transportation - I I Mile Road Project	20.205	STU63459-56301	852,780	<u>496,185</u>
Total federal awards				<u><b>\$ 1,527,819</b></u>



# **City of Farmington Hills, Michigan**

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## **Note to Schedule of Expenditures of Federal Awards Year Ended June 30, 2004**

### **Note - Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Farmington Hills, Michigan and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

# City of Farmington Hills, Michigan

## Schedule of Findings and Questioned Costs Year Ended June 30, 2004

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

#### Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
20.205	U.S. Department of Transportation

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

# **City of Farmington Hills, Michigan**

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## **Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004**

### **Section II - Financial Statement Audit Findings**

None

### **Section III - Federal Program Audit Findings**

None

October 27, 2004

Honorable Mayor and Members  
of the City Council  
Mr. Steve Brock, City Manager  
City of Farmington Hills  
31555 West Eleven Mile Road  
Farmington Hills, MI 48195

Dear Mayor, City Council Members and City Manager Brock:

We recently completed the audit of the financial statements of the City of Farmington Hills, Michigan for the year ended June 30, 2004. In addition to the CAFR audit report, we offer the following comments and information for your consideration.

### **Overview of the City's Financial Condition**

During the year ended June 30, 2004, General Fund revenues exceeded expenditures, including transfers to other funds, by approximately \$45,000. Fund balance at June 30, 2004 totaled approximately \$16.1 million. Of this amount, \$2.3 million is reserved for encumbrances and long-term advances, \$6.5 million is designated for future technology, road construction and capital improvement expenditures and \$7.3 million is currently undesignated. The undesignated portion represents approximately 12.3 percent of the following years budgeted expenditures. This percentage is in a range consistent with prior years and within the acceptable parameters typically expected by rating agencies.

By maintaining an adequate level of fund balance the City is able to adjust to expected and unanticipated (see State Shared Revenue comments below) financial changes without significant adverse effects on the level of services provided to citizens or the City's ability to plan and fund future capital needs and long-term obligations. In addition, adequate current resources must be maintained and available to manage and plan for the continued escalating costs of current and future employee and retiree benefits, including post-retirement health care expenses. We compliment the City Council, City Manager and department heads for their continued success with financial planning and budgeting.

### **Current State of Michigan Financial Picture**

State shared revenue accounts for approximately 16% of the City's total General Fund revenue. Because of slower than anticipated growth in the State's sales tax collections (the sole source of revenue sharing payments to local units of government) and the State's on-going budget problems which have resulted in additional appropriation reductions to the revenue sharing line item in the State's budget, revenue sharing payments for the last several years have continued to decline.

Although sales tax revenue would support an increase to total state shared revenue payments, the State's budget situation remains troublesome at best. As you are probably aware, the Governor's budget for the State's 2004/2005 fiscal year contains a provision to not pay counties statutory revenue sharing (the counties' only source of revenue sharing). Instead, the counties will change their property tax levy date for their operating millage from December to July

(beginning in 2005). A portion of the additional funds generated from the early property tax levy will be used by the counties over a multiple year period to replace statutory revenue sharing that will not be paid by the State. The plan calls for the return of statutory revenue sharing for the counties when their restricted monies from the early levy run out. A key part to this plan allows the State to hold revenue sharing payments to cities, villages and townships for the State's 2004/2005 fiscal year at the prior year levels. This plan was recently approved by the Michigan legislature and signed by the Governor.

It is generally acknowledged that the State's budget woes will continue for several more years. The Governor recently announced that another \$500 million shortfall exists for the State's 2005/2006 fiscal year budget (the State's 2005/2006 fiscal year budget will be introduced by the Governor in early 2005). Also, during October 2004, the Governor announced that her administration may introduce in the near-term a significant tax restructuring proposal. Specific details of the proposal have not been formally announced and the impact on significant revenue sources to local governments, such as personal property taxes and revenue sharing, is not known at this time. As a result of the continuing uncertainty with the State's budget situation and other potential developments with changes to State's tax structure, we continue to urge the City to be very conservative in its estimation of state shared revenue as this line item in the State's budget remains vulnerable.

The following table sets forth a history of your approximate revenue sharing payments, based upon the State's fiscal year:

Year ended September 30	Constitutional	Statutory	Total
2001	\$5,328,000	\$2,973,000	\$8,301,000
2002	\$5,383,000	\$2,735,000	\$8,118,000
2003	\$5,474,000	\$2,363,000	\$7,837,000
2004	\$5,414,000	\$1,629,000	\$7,043,000
2005 - estimated	\$5,645,000	\$1,398,000	\$7,043,000

Over the past several years, the City has been working to protect and maintain a reasonable fund balance level. Undesignated fund balance for the General Fund is approximately \$7,368,000 for the year ended June 30, 2004, an increase of approximately \$1,608,000 from the previous year. As we have all learned, sufficient fund balance levels are necessary due to uncertainty related to major revenue sources and increasing costs. The City is adequately positioned to weather this current downturn because of the fund balance that exists, but we encourage management to make every effort to protect this level of fund balance. This will help ensure the City's health for the future.

## Property Taxes

As you will recall, Proposal A limits the growth in taxable value to the lesser of inflation or 5 percent. The inflation factor for this calculation is published by the State Tax Commission and a historical 10 year summary is as follows:

2004	2.3%	1999	1.6%
2003	1.5%	1998	2.7%
2002	3.2%	1997	2.8%
2001	3.2%	1996	2.8%
2000	1.9%	1995	2.6%

The 2003 inflation factor, which was the lowest level of inflation in the last ten years, was used for property taxes levied in the City's year ended June 30, 2004. As indicated above, growth in existing property is significantly limited due to Proposal A. This factor should be considered when the City is involved in long-term financial planning.

The Headlee Amendment to the Michigan Constitution limits the amount of taxes that can be levied by the City. In general terms, if growth in the City's existing property tax base exceeds inflation for a particular year, the Headlee Amendment requires the City to "roll back" its property tax rate to inflation. Prior to the passage of Proposal A in 1994, during years when the growth on the City's existing property tax base was less than inflation, the Headlee Amendment allowed the City to "roll up" its property tax rate and recover from years when the property tax rate was "rolled back". However, subsequent to the passage of Proposal A, the City is no longer allowed to "roll up" its property tax rate in years when growth on its existing tax base is less than inflation. The charter operating mills are 10.0000 versus the Headlee limited mills of 8.4337. The City's current 2003/2004 operating levy is 8.1924 which is less than capacity, but the millage capacity (the difference between actual levy and Headlee Maximum) of the City will continue to shrink as the rate is "rolled back" annually.

## Other Legislative Matters

During the current legislative session, there have been a number of bills introduced that will impact local governments. The following is a highlight of several of the bills:

- HB 4880, as passed by the House in August 2004, proposes to increase property taxes for mobile home owners with additional monies earmarked for local governments.
- HB 6017 was introduced to address the inconsistent treatment of assessing commercial property using the occupancy method. The inconsistent treatment occurs when the taxable value of a commercial property is reduced based on a loss in occupancy and a corresponding increase will not occur when occupancy increases resulting in a permanent taxable cap on property (subject to annual inflationary increases). This treatment is a result of what is commonly referred to as the "WPW Case" involving the City of Troy.
- HB 4649 was passed by the House and would allow local governments to pass a resolution exempting new construction on homestead property used as a living area from property taxes (subject to certain limitations) in all or just certain areas of the local jurisdiction.

- HB 5358 was introduced and would change the requirements for personal property tax examiners including: requiring the State Tax Commission to qualify examiners based on experience and examination, require examiners to be employees of a local government, and make payments to examiners on a per parcel basis.
- HB 5538, as passed by the House, exempts property under development from school operating taxes (18 mills) by classifying the property as "homestead" property. The bill also proposes to not allow the taxable value of property to "uncap" when the property is sold to a new owner.
- HB 4234, as passed by the House, would provide a personal property tax exemption to businesses with taxable value of personal property of \$7,500 or less (these businesses would be exempt from paying any personal property taxes). Language was included in the House that any revenue loss to local governments would be reimbursed by the State. However, these monies would require an appropriation by the Legislature.
- SB 721 was introduced which would assess a \$3 per ton tipping fee at landfills which could increase the cost of refuse disposal for local governments. The monies generated from this legislation are intended to be used by the State for recycling.

### **Post-employment Benefits**

Two new accounting pronouncements were recently issued by the Governmental Accounting Standards Board (GASB). GASB 43 and 45 address the accounting and disclosures related to post-employment benefits other than pensions. In short, these pronouncements will require communities to account for and disclose liabilities related to health care coverage provisions for retirees, much in the same way that pensions are handled. It is our understanding that the City currently has actuarial valuation performed to estimate this liability. Starting in fiscal year 2007-2008, the City will be required to measure its retiree health care liability through actuarial valuations that are to be performed at least biennially. These valuations will compute an "annual required contribution". The annual required contribution is the amount the actuary believes is necessary to fund the benefits promised over a period of 30 years or less. The City currently has certain funds set aside in the Pension Fund and Retiree Health Care Finance Fund to help offset a portion of this liability. We commend the City for having the foresight to begin pre-funding this liability.

It is our understanding that the State of Michigan may be offering local governments the opportunity to participate in the State's prescription drug program. A presentation was made in September 2004 to introduce this program to local governments. While we have not evaluated the program, the City management may want to consider this option as it evaluates and continues to try to control and manage health care costs.

### **Transportation Matters**

The Legislature recently approved HB 5319 which would earmark one-half of one cent of the state gasoline tax for the preservation, improvement or reconstruction of existing bridges. It is estimated that over the next 10 years that approximately a half billion dollars will be available to local governments for bridge needs. Presently, these monies are used primarily by the Michigan Department of Transportation for State bridges. The legislation creates a Local Bridge Authority to manage the monies as well seven, five member, regional bridge councils. The new Authority would consist of six voting members appointed by the State Transportation Commission (three nominations by the County Road Association of Michigan and three by the Michigan Municipal League) and two non-voting members nominated by the Department of Transportation.

Also, HB 4358 has been introduced which changes vehicle weight restrictions on Michigan roads for certain trucks (without regard to existing limitations imposed by local governments) and could reduce overweight truck fines.

### **Municipal Finance Act Revisions – Reminder**

The Municipal Finance Act was amended several years ago. Communities are now required to submit a filing once a year with the Michigan Department of Treasury. The old ten day "exemption from prior approval" process has been eliminated and is replaced with this qualification process. This filing will serve as a pre-approval for future debt issues. The current filing is due within six months of the City's year end (December 31, 2004) and is good for one year thereafter. The City should also consider the need to file a qualifying statement for each of its component units.

### **Public Accounting Update**

During the current audit, a new standard related to the detection of fraud in an organization was implemented. The new standard adds greater guidance related to the steps an auditor must perform in assessing the risk of fraud. It also specifies that non-accounting personnel must be included in an auditor's inquiries related to fraud and related fraud risk evaluations.

### **Condition of Accounting Records**

Once again, we would like to compliment the Mayor and City Council and City Management, including Finance and Treasury Department staff, for the overall positive condition of the City's financial records and related documentation for the fiscal year ended June 30, 2004. Our testing indicated that the City finance and treasury departments continue to maintain strong internal control over cash collection, payroll, and cash disbursement functions. In addition, we wish to congratulate the City on again receiving the prestigious Certificate of Achievement for Excellence in Financial Reporting, which recognizes compliance with the highest standards for preparation of state and local government financial reports for the year ended June 30, 2003.



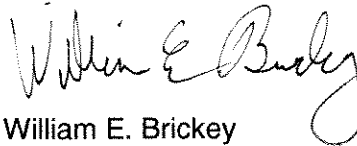
We would like to express our thanks and appreciation for the courtesy and cooperation extended to us by the City staff during the audit. We appreciate the opportunity to present these comments for your consideration and will be pleased to discuss them further at your convenience.

Yours truly,

**PLANTE & MORAN, PLLC**



Douglas G. Bohrer



William E. Brickey